

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
IN SEATTLE

MICROSOFT CORPORATION,)	
)	
Plaintiff,)	No. C10-1823JLR
)	
v.)	
)	
MOTOROLA, INCORPORATED,)	
)	
Defendant.)	

MARKMAN HEARING

BEFORE THE HONORABLE JAMES L. ROBERT
UNITED STATES DISTRICT COURT JUDGE

March 9, 2012

APPEARANCES:

For the Plaintiff:	Richard A. Cederroth SIDLEY AUSTIN Arthur Harrigan DANIELSON HARRIGAN LEYH & TOLLEFSON
For the Defendant:	Jesse J. Jenner Gabrielle Elizabeth Higgins ROPES & GRAY Ralph H. Palumbo SUMMIT LAW GROUP

Also Present:	Christopher Wion Douglas Lewis Philip McCune Andy Culbert David Pritikin Herman Webley Matthew Clements Ian Brooks
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1 THE COURT: The clerk will call this matter.

2 THE CLERK: Case C10-1823, Microsoft versus
3 Motorola. Counsel, please make your appearances.

4 MR. HARRIGAN: Good morning, your Honor. Art
5 Harrigan representing Microsoft, here with my partner
6 Mr. Wion. And from the Sidley firm, proceeding from the
7 court's left to right we have Mr. Rick Cederoth, who will
8 be making the Markman presentation for Microsoft.
9 Mr. Doug Lewis.

10 MR. LEWIS: Good morning, your Honor.

11 MR. HARRIGAN: David Pritikin.

12 MR. PRITIKIN: Good morning, your Honor.

13 THE COURT: And in the first row back there, we
14 have Mr. Herman Webley, also from the Sidley firm.

15 MR. WEBLEY: Good morning.

16 MR. HARRIGAN: And Andy Culbert from Microsoft,
17 whom the court has met before.

18 THE COURT: Nice to see we put the client in the
19 back row.

20 MR. HARRIGAN: Introducing from the bleachers
21 David Killough from Microsoft.

22 MR. PALUMBO: Ralph Palumbo, your Honor, with my
23 partner, Phil McCune, and Mr. Jenner, and Ms. Higgins.
24 Mr. Jenner will introduce the Ropes & Gray people.

25 MR. JENNER: Good morning again, your Honor. We

1 have our retinue as well.

2 Jesse Jenner of Ropes & Gray. My partner Gabbie
3 Higgins, Matt Clements, and at the far end, Ian Brooks,
4 and Dave McCollom, who is our electronics operator. Also
5 with us today from Motorola Mobility is Robert Pluta.

6 THE COURT: Thank you. Counsel, let me give you
7 some direction, and then ask if you have any matters you
8 would like to raise. I am not sure that all of the ten
9 claims deserve equal attention. I am not sure that the
10 court isn't going to throw you a couple of curve balls
11 here. If you have excess time, I would urge you to
12 concentrate on Claim Term 1, which is a proposed
13 construction for "macroblock," for the reason that we were
14 not completely satisfied with either of the proposed
15 definitions, and therefore are inclined to venture out on
16 our own. And so we would like your guidance on why you
17 defined that term the way that you did.

18 And then secondly, in terms -- instead of arguing in
19 regards to Claim 3, Claim 4, Claim 5, Claim 7 and Claim 8,
20 all of which are means plus function claims, I would like
21 to hear from Motorola why we should not find those to be
22 invalid for lack of an algorithm, explaining the
23 structure, either an algorithm or a flowchart or some of
24 the other alternatives that have been proposed in the
25 cases. That will give you some sense of our struggle with

1 this particular set of claims.

2 Finally, thank you for affording Mr. Fortney and I an
3 opportunity to do the only thing that is potentially more
4 painful than going to the dentist. I was telling a former
5 friend of mine that, who said, Jim, you need to
6 understand, we feel the same way about arguing in front of
7 you. I guess the feeling is mutual.

8 You were going to do a tutorial first, but before I do
9 that, let me call on both sides to see if they have any
10 matters they want to bring to the court's attention.

11 Yes, sir.

12 MR. CEDEROTH: Your Honor, Rick Cederoth. I
13 wonder if I might weigh in here on the terms. In the last
14 24 hours we have had a chance to sit down, both parties --
15 our side and discuss with Motorola, and actually winnow
16 down the terms which do need to be resolved.

17 Coincidentally, with respect to the means plus
18 function claims, I think the parties have come to a
19 realization that the court has, that the fundamental issue
20 there is one of validity, and to crystallize the issues,
21 both for resolution today, and specifically with regard to
22 the invalidity or, as Motorola would say, the lack of, on
23 the means plus function. What we have agreed is that
24 Microsoft will agree on Term Number 2 to Motorola's
25 proposed construction of "decoding."

1 As to Term Number 6, which is the "using" phrase,
2 Microsoft has agreed to Motorola's proposal that that does
3 not require construction, but "plain and ordinary" can be
4 used there.

5 As to the five means plus function terms that the
6 court just read off, 3, 4, 5, 7 and 8, Microsoft agrees to
7 the statement of function that Motorola has articulated.
8 And that has a natural impact then in terms of what the
9 structure is.

10 The way we had written this out yesterday, if I could
11 ask for the court's indulgence to simply read it in, as an
12 exchange between the parties, and then perhaps we should
13 discuss how to proceed at the court's pleasure with
14 respect to this issue.

15 But as to the structure for the means terms, the
16 parties agree that each side reserves all aspects of its
17 invalidity defenses or response to invalidity defenses.
18 And, specifically, by way of example, as to the structure
19 for the decoder, Microsoft does wish to argue that the WMS
20 Gaming line of cases applies, and we have articulated that
21 in our invalidity defenses and invalidity contentions.

22 But Motorola reserves the right to argue that the
23 case -- the line of cases is not applicable, but that if
24 the line is applicable, that pseudo-algorithms have been
25 disclosed, and that Motorola may identify such algorithms,

1 as necessary.

2 That is where we came down yesterday, so that the
3 statement that Motorola offers for these -- the structure
4 of these terms, that is an encoder -- I'm sorry, a
5 decoder, and equivalence thereof, simply poses the issue
6 of whether in fact those claims are valid.

7 THE COURT: Well, counsel, first off, I will tell
8 you, I wish you guys had gotten together two weeks ago,
9 because you would have saved us an immense amount of work.

10 I am uncertain as to the status of the law, in that
11 I'm not sure that the train hasn't left the station. Once
12 these matters have been presented to the court, and they
13 are ripe for adjudication, we adjudicate them. I'm not
14 sure a stipulation between the parties that Motorola is
15 going to get a second bite at the apple is going to carry
16 the day.

17 On the other hand, we try to decide things on the
18 merits. And if we are missing the merits, then we need to
19 know that. So I will accept your stipulation, and let's
20 chat at the end of the day about some kind of a briefing
21 schedule for you both to present your contentions.

22 I'm not sure how much clearer I could hold up a signal
23 that we have pretty exhaustively looked at this, and we
24 just can't get there.

25 MR. JENNER: Can I be heard on that or do you want

1 to wait until later?

2 THE COURT: Wait until later. Just know that's
3 how we will deal with that.

4 What I understand is, in regards to 2 and 6, you have
5 stipulated to a proposed construction. And for 3, 4, 5, 7
6 and 8, we are going to chat at the end as to how you can
7 present your legal arguments, as opposed to your factual
8 arguments. I didn't say that very well. I understand
9 that Motorola wants to take me back into the patent and
10 show that there is an appropriate algorithm in there, or
11 an alternative to it. But it seems to me it is more a
12 legal question at this point under the line of cases that
13 you have talked about.

14 Now, Mr. Jenner, you look like you are ready to jump
15 up and say something, so now is the time.

16 MR. JENNER: If your Honor would allow me, I would
17 like to have the opportunity to press the issue on that,
18 your Honor. This is one of those unique areas that
19 everybody loves about patent law, the interface between
20 Markman proceedings like this and what comes in on the
21 merits, in terms of raising subsequently things like
22 motions for summary judgment of non-infringement based on
23 the Markman, or motions for summary judgment and
24 invalidity based on the Markman.

25 THE COURT: You heard my recent lunch speech.

1 MR. JENNER: We probably think along parallel
2 lines then.

3 I realize it is pretty arcane, but, your Honor, I
4 submit that we are a little bit whipsawed, in the sense
5 that we are trying to tell your Honor in this proceeding
6 what we think the right construction is.

7 And the means plus function, we have now agreed on the
8 function, we have agreed on the structure. We told you
9 what we thought the right structure is. And in the
10 context of finding that the right structure is a decoder,
11 we submit that when you go outside of Markman, now the
12 consequence is, does Microsoft make a motion for summary
13 judgment of invalidity, which they haven't made yet. We
14 know they want to make it. We discussed that in an e-mail
15 exchange. They are going to make a motion for summary
16 judgment. And we submit that we ought to have the
17 opportunity to oppose the motion on all applicable grounds
18 which could not necessarily be provided to the court in
19 the context of Markman.

20 We would tell your Honor in summary judgment that the
21 decoder is such a well-known term of art in this video
22 coding area, that when you mention it to a person of
23 ordinary skill in the art, he knows what it is. And under
24 the case law, that is sufficient.

25 We would tell your Honor that under the WMS Gaming

1 line of cases, those cases all deal with microprocessors
2 and general purpose computers, where the court in
3 Aristocrat and Harris and all the other cases have said
4 you have to have an algorithm. I could show you another
5 Aristocrat case where the court found it wasn't necessary.

6 Even in the third instance where the court wants to
7 see what algorithms might be in the patent that would
8 apply to the decoder, we are prepared to provide to the
9 court information about where algorithms may be found,
10 even though, for purposes of the Markman, we don't think
11 they are part of the structure, and didn't think we had to
12 provide that, because we think -- we have all agreed that
13 the right structure is the decoder. So the consequences
14 of that, both legal and factual, really ought to be on a
15 motion for summary judgment of invalidity. And we are
16 prepared to brief that.

17 THE COURT: Mr. Jenner, you look a little bit
18 younger than me. Do you remember what radio character it
19 was where you got the secret decoder ring?

20 MR. JENNER: I doubt that --

21 THE COURT: That will be your homework before you
22 come back.

23 I have looked at these lines of cases, including a
24 Motorola case, so I am not unfamiliar with this area.
25 That is why you have more eloquently said what I tried to

1 convey, which is, I think the fairer way is to tee this up
2 immediately at the conclusion of this. I don't care if we
3 call it a motion for summary judgment on invalidity or we
4 talk about motions opposing the court's foolish rulings.
5 But we are going to get that decided. And you will get an
6 additional opportunity to --

7 MR. JENNER: We appreciate that. All we ask is to
8 put in the full record appropriate for a summary judgment.

9 THE COURT: I will tell you, I think you've got an
10 uphill battle, because if "computer" isn't a sufficient
11 term, "decoder" -- other than if it is a ring you got in
12 the mail or a cereal box, I think you have a real chore
13 there.

14 MR. JENNER: If we have to swim upstream or
15 uphill, we will do what we have to do.

16 MR. CEDEROTH: Thank you, your Honor. One caveat
17 to what Mr. Jenner said. The parties haven't exactly
18 agreed that the structure is a decoder. Our position is
19 that a decoder has to also have an algorithm. That is
20 exactly the dispute that the court recognized.

21 One other potential housekeeping matter for the end of
22 the hearing, your Honor, when we take this up: If the
23 court would indulge the parties to discuss some of the
24 additional going-forward activities in the case that
25 relate also to the RAND issues, as we should have some

1 time available.

2 THE COURT: I would love to do that, because my
3 terrorist trial in May has been continued, and I am
4 thinking about slotting you guys in. That would be a good
5 opportunity to discuss further at that time.

6 MR. CEDEROTH: Thank you.

7 THE COURT: Motorola, you are going to do a
8 tutorial?

9 MR. JENNER: Yes, your Honor. Your Honor, I would
10 like to introduce to the court Dr. Timothy Drabik.
11 Dr. Drabik has a Ph.D. in electrical engineering from
12 Georgia Tech. He has been both an associate professor at
13 Georgia Tech, as well as a visiting professor at Stanford.
14 He has done research and taught courses in digital signal
15 processing, which relates to the subject matter of this
16 proceeding, both at the graduate level and the
17 undergraduate level. He has had over 30 years of
18 experience in the field, both in academia, as well as in
19 industry. So we would submit him to the court solely for
20 the purpose of providing a tutorial. The parties having
21 previously agreed that there would be no expert testimony
22 submitted, and there was none as part of the Markman term
23 interpretation.

24 THE COURT: We can always use the help.
25 Professor, come on down.

1 PROFESSOR DRABIK: Thank you, your Honor. It is
2 my pleasure to have the opportunity to present this
3 tutorial on behalf of Motorola.

4 THE COURT: Did they make you teach that class or
5 did you want to?

6 PROFESSOR DRABIK: It was always one of my
7 favorites.

8 THE COURT: Do you get a lot of students?

9 PROFESSOR DRABIK: Yes, it is very popular at
10 Georgia Tech. It was one of the earliest institutions to
11 have a specialty in digital signal process.

12 THE COURT: Please proceed, sir.

13 PROFESSOR DRABIK: Thank you, your Honor. This
14 relates to the '374 patent, '375 patent and '376 patent.
15 These patents share a common specification, and they all
16 relate to video coding, in particular, the techniques used
17 in the video coding standard called H.264.

18 Here is the cover picture of the H.264 standard. It
19 is also sometimes referred to as MPEG-4 Part 10, or AVC,
20 which stands for advanced video coding. Motorola
21 inventors on these patents participated in the development
22 of this standard. The draft of this standard is
23 incorporated by reference in the patents in suit. And the
24 H.264 standard was published in 2003.

25 The patents and the H.264 standard concerned video

1 coding. Video coding is the process of coding and
2 decoding digital video. Encoding is compressing a stream
3 of pictures, and decoding is decompressing a stream of
4 pictures.

5 Here, I will show an example of a video coding
6 process. The video camera on the left captures a stream
7 of pictures and sends it to an encoder. The encoder
8 compresses the stream of video data by eliminating
9 redundancies in the video. The output of the encoder is a
10 bitstream of compressed video data that can be transported
11 and stored, as represented here by the cloud.

12 This compressed video stream takes up much less space
13 in storage than the uncompressed content, or requires much
14 less bandwidth for transmission.

15 After the compressed video data has been transmitted,
16 it must be decoded or decompressed. And here, I am
17 showing the decoder having constructed a decoded picture
18 highlighted in yellow. After decoding, the decoded
19 pictures can be displayed, for example, on a monitor, as I
20 have shown there on the right.

21 Now, video coding operates on a stream of pictures.
22 Each picture is divided into basic units called
23 macroblocks. For example, we will see a red box around
24 the baby leopard's eye. That is a macroblock.

25 Now, Figure 2 shows the macroblock having 16 by 16

1 pixels. A pixel is frequently defined as the smallest
2 independent unit of picture information. For a very
3 important step, referred to as depiction, each macroblock
4 can be further divided into smaller-size blocks, as
5 depicted on the left.

6 Here, we see a 16 by 8 block size in the figure, as
7 well as on the macroblock. And now we see an 8 by 16
8 block size. Then an 8 by 8 block size, 8 by 4 block size,
9 4 by 8 block size, and a 4 by 4 block size. These blocks
10 allow us to predict different size portions of the
11 macroblock separately.

12 Now, macroblocks also contain luma and chroma
13 components. The luma components represent the brightness
14 of the picture, as in the black and white picture. The
15 chroma components, and there are two of them, provide
16 color information. Merging all three of these components
17 gives you a color picture. Because the human eye is less
18 sensitive to color changes than to brightness changes, it
19 is common for a macroblock to have fewer chroma samples
20 than luma samples.

21 THE COURT: Are you familiar anywhere where the
22 terms "luma" or "chroma" are used in the patent?

23 PROFESSOR DRABIK: Off the top of my head, I can't
24 recall. Luma and chroma are abbreviations used in the art
25 for luminance and chrominance. The luminance and

1 chrominance representation in the video has been used
2 since, I think, at least as early as 1953, or it might be
3 1947, when the NTSC analogue color broadcast standard was
4 adopted. So those are longstanding terms. And whenever
5 color video is discussed, luminance and chrominance are
6 well understood.

7 THE COURT: All right.

8 PROFESSOR DRABIK: I would like to discuss
9 encoding in detail now. Here we are back with our
10 encoder. I would like to blow up that box, and show an
11 example of the general process for encoding digital video
12 into the coded bitstream.

13 The coded bitstream is compressed for easier
14 transmission or storage, as I have said. And the encoding
15 operations proceed from left to right, as indicated by the
16 arrows. And the details of each step are well known.

17 Before going on to the next segment, I would just like
18 to point out that each encoding step makes headway toward
19 eliminating the redundancy in the video signal. We can
20 think of these decoding steps as layers of an onion that
21 we peel back gradually. Of course, one can only peel an
22 onion in one order. So these blocks all fit together in
23 only one order.

24 The first block here is labeled "prediction." The
25 basic idea of prediction is to eliminate redundancy in the

1 video stream from picture to picture in order to reduce
2 the number of bits that need to be transported or stored.

3 So, broadly speaking, if you want to represent a part
4 of the picture, you look for another part of the same
5 picture or a different picture that is very similar. Here
6 is what we are trying to represent, and be found, a
7 so-called predictor, somewhere else that is a lot like it.
8 We compute the difference between those two parts, and
9 that gives us a residual. We process only that. And that
10 is easier to compress.

11 The second box is labeled "transformer." The basic
12 idea of transformer is to convert pixel values into
13 frequency coefficients. The frequency coefficients are
14 easier to compress than the pixel values themselves. So
15 we are making more headway toward eliminating redundancy.

16 The third box --

17 THE COURT: You might want to slow down a little
18 bit. The thing is, when you are teaching your students,
19 they are taking notes. Only, the person who takes notes
20 in my classroom has to get it verbatim. Remember to
21 breathe every once in a while.

22 PROFESSOR DRABIK: I will do that. The third box
23 is labeled "quantization." The basic idea there is to
24 reduce the number of bits required to represent each
25 coefficient. Often certain of the smaller, generally

1 higher, frequency coefficients will quantize to zero.
2 Quantization is to exploit the fact that the human eye is
3 less sensitive to higher frequency components than to
4 lower frequency components.

5 The fourth box is labeled "frequency coefficient
6 scan." This box scans the frequency coefficients from
7 locations in the two-dimensional array, and reorders them
8 into positions in a one-dimensional array.

9 The fifth box is labeled "entropy coding." The basic
10 idea of entropy coding is to represent the sequence of
11 symbols, a shorter sequence of bits, by exploiting
12 statistics of the information stream.

13 Entropy decoding accepts a one-dimensional stream, a
14 sequence of signals, and that's why we needed the scanning
15 to convert the frequency coefficients into a linear
16 sequence.

17 Now I will discuss decoding. As I mentioned, decoding
18 is the reverse of encoding. And if we pause here with the
19 block diagram of the decoder, what we are doing is we are
20 replacing the layers on the onion. Not that we ever do
21 that with an onion, but we do that with video coding.
22 And, of course, we have to replace them in the same order
23 we remove them, but in reverse. So all of these blocks
24 are the inverse operations of the blocks that we discussed
25 in encoding. And those inverses are well understood and

1 well known.

2 THE COURT: If I took an algorithm for encoding,
3 and said that was my decoder, it wouldn't make any sense,
4 because it would be in reverse order?

5 PROFESSOR DRABIK: I would say, understanding the
6 algorithm for encoding reveals the algorithm for decoding,
7 because it is understood that the steps have to occur in
8 reverse because of this onion-peeling requirement. The
9 form of the information is different upon leaving each
10 constituent block of the encoder chain. Those blocks can
11 go together in only one way. So in order to perform
12 decoding, we have to undo those individual steps in
13 reverse order to meet that same requirement of having the
14 information representation between blocks be compatible.
15 In other words, the output of one decoding block has to be
16 compatible with the input of the next one.

17 THE COURT: As an ignorant freshman, if I said the
18 encoding algorithm -- the decoding algorithm would need to
19 be the inverse of the encoding algorithm, that would be a
20 correct statement?

21 PROFESSOR DRABIK: Yes, your Honor. Another
22 possible analogy is disassembling a matryoshka doll and
23 putting it back together. If I see you take it apart,
24 then I know how to put it back together again.

25 THE COURT: Thank you.

1 PROFESSOR DRABIK: You are welcome. These boxes,
2 I will just tick through them very quickly. We have
3 inverse entropy decoding, to take the bitstream and
4 produce the one array of quantized --

5 THE COURT: I am hoping that you are reading these
6 remarks, as opposed to giving this contemporaneous
7 statement.

8 PROFESSOR DRABIK: I am sort of in between, your
9 Honor.

10 THE COURT: We are going to ask for a copy of it
11 when you are done.

12 PROFESSOR DRABIK: I am very close to what I have
13 in front of you.

14 THE COURT: Thank you.

15 PROFESSOR DRABIK: Then there is the inverse
16 frequency coefficient scan, de-quantization, the inverse
17 transform and inverse prediction.

18 Now, the output of the inverse prediction box is a
19 decoded pixel block. Decoded pixel blocks are used to
20 construct a decoded macroblock. Decoded macroblocks, in
21 turn, are used to construct the current picture for
22 display.

23 So now I have discussed pictures, macroblocks,
24 encoding and decoding. There is one aspect of the
25 background technology that is important, and that is the

1 difference between interlaced video and progressive video.
2 For progressive video, every line of a frame is captured
3 by a camera in a single pass from top to bottom. As I
4 illustrate here, in progressive video, an entire frame is
5 sent every 30th of a second.

6 On the other hand, interlaced video operates by
7 scanning only every other line in each pass. First, the
8 odd scan lines, called the odd or top field, are required.
9 And then the even scan lines, called the even or the
10 bottom field. As I illustrate here, the odd and even
11 fields occur every 1/60th of a second.

12 These two fields are combined to form a picture. We
13 should be combining them shortly. But coding interlaced
14 video, as frames combine like this, presents problems for
15 images that contain moving objects.

16 So I will illustrate this problem using an example of
17 a moving red ball. Here we see a video camera recording
18 the red ball as it moves across a still background. When
19 the camera captures video in an interlaced form, it
20 captures half of the scan lines, the top field in the
21 first pass, and the other half of the scan lines, the
22 bottom field, in the second pass, a 60th of a second
23 later.

24 In this example the box around the ball is a
25 macroblock boundary. The top field on the macroblock on

1 the left is captured a 60th of a second before the bottom
2 field of the macroblock on the right, so the ball is
3 slightly further to the right in the field on the right.

4 If we combine these two fields of the macroblock
5 directly, you can see that there is a cloning effect
6 around the edges of an object in motion, which I have
7 shown here in the inset. By zooming in on the edge of the
8 ball, you can see how much it moved between the time that
9 the first field was captured and the time that the second
10 field was captured.

11 In prior art and coding, this single macroblock could
12 be encoded in one of two modes, in frame mode or in field
13 mode. This is called adapted frame/field coding, or AFF.

14 In the frame mode, the two fields of the macroblock
15 were encoded jointly. The combing effect caused by
16 combining the two fields of the moving image resulted in
17 less efficient compression.

18 In field mode, the two fields were encoded separately.
19 The macroblock was split into two eight-line groups, a top
20 field group and a bottom field group. By eliminating the
21 combing effect, such a macroblock could be compressed more
22 efficiently.

23 Now, for prediction, macroblocks could be divided into
24 smaller-size blocks. In the frame mode, the 16 by 16
25 macroblock could be divided seven different ways, as

1 depicted on the figure on the left.

2 In the field mode, because the macroblock was first
3 divided into a 16 by 8 top field, and a 16 by 8 bottom
4 field, the macroblock could only be divided five different
5 ways, as depicted in the figure on the left. In
6 particular, the block sizes of 16 by 16 and 8 by 16 were
7 not available, because in field mode a block cannot
8 contain lines from both the top field and the bottom
9 fields. This is called the single parity requirement.

10 So this was a basic problem with coding techniques
11 prior to the invention. A macroblock in field mode could
12 not be divided the same seven ways as the frame mode
13 macroblock, because when all seven block sizes were not
14 available in field mode, the prediction performance
15 suffered.

16 The patent states, "This implies that the performance
17 of single macroblock-based AFF may not be good for some
18 sequences or applications that strongly favor field
19 coding.

20 The solution arrived at by the Motorola inventors was
21 to use multiple neighboring macroblocks instead of a
22 single macroblock for adaptive frame/field coding. For
23 example, Figure 7 of the patent shows a vertical pair of
24 macroblocks that can be used in adaptive frame coding.

25 Figure 8 shows how the even and odd lines of a

1 vertical pair of macroblocks can be split into a top
2 macroblock with only odd lines and the bottom macroblock
3 with only even lines.

4 The specification describes Figure 8 as a pair of
5 macroblocks, each of which has 16 columns of pixels and 16
6 rows of pixels.

7 Now, because the top field macroblock and the bottom
8 field macroblock are now both 16 by 16, each macroblock
9 can be divided the same seven ways as a 16 by 16 frame
10 macroblock. We get back this, and we get back this.

11 This provides greater flexibility for use in
12 predictions, which leads to better video compression. The
13 larger block size is now available. The 16 by 16 and the
14 8 by 16 provide efficient coding for uniformly predictable
15 regions in the pictures. The numbers in the green and the
16 gray blocks represent the order in which each block of the
17 macroblock pair is processed.

18 Now, if a picture consists of some regions that are
19 moving and some regions that are not, it is typically more
20 efficient to code the nonmoving regions in frame mode and
21 the moving regions in field mode. Using macroblock pairs
22 gives you the flexibility to frame code nonmoving regions
23 and field code moving regions while still using all seven
24 block sizes for prediction.

25 Here, I show a picture of one vertical pair of

1 macroblocks that is frame coded and one vertical pair that
2 is field coded.

3 A frame/field flag is included in the bitstream before
4 each pair. This flag indicates whether the subsequent
5 pair of macroblocks in the bitstream is coded in frame
6 mode or in field mode.

7 Adaptive frame/field coding on macroblock pairs was
8 adopted by the video coding experts into the H.264
9 standard. For example, Figure 6-8 of the H.264 standard
10 shows partitioning of a frame into macroblock pairs.

11 The H.264 standard refers to the use of macroblock
12 pairs as macroblock adaptive frame/field coding or MBAFF.

13 Each of the Motorola patents is directed to perform
14 that coding on pairs or groups of macroblocks. In
15 addition, each patent further entails either inter-coding,
16 the '374 patent; intra-coding, the '375 patent; or a
17 particular scanning path, the '376 patent.

18 First, I would like to discuss inter-coding. In
19 inter-coding, macroblocks are coded by first looking for
20 part of a different picture that is very similar to what
21 we are trying to encode, and which we already know. That
22 is called the reference picture.

23 Then we compute the difference between the two parts,
24 which you call the residual, and restore or transmit only
25 that. Inter-coding is also referred to as temporal

1 prediction with motion compensation.

2 As I explained earlier, a digital video is a sequence
3 of pictures, as shown in Figure 1 of the patents.

4 The '374 patent gives an example of inter-coding in
5 Figure 4. In this example, we generate Image 402, in a
6 picture based on the corresponding Image 402 in the
7 reference picture. As objects move across a camera's
8 field of view, they show up in different parts of the
9 picture as time passes.

10 Here, I illustrate a rectangular in red moving from
11 upper left to lower right as time passes. We can predict
12 the P picture from the I picture. We refer to the I
13 picture as a reference picture and the P picture as the
14 predictive picture. I will put this into three dimensions
15 so it is easier to see what is happening here.

16 In order to encode an image in the predicted picture,
17 the (inaudible) in the motion vector tells us where to
18 find a related image of predictor in the reference
19 picture.

20 The image in the reference picture is used to create
21 the image in the predicted picture. The motion vector
22 tells us where to find the predictor. By overlaying the
23 reference picture atop the predicted picture, we can see
24 how this process looks in two dimensions.

25 We are trying to encode this picture. We find a

1 predictor in a reference picture, and we have a motion
2 vector that tells us how to get there.

3 A motion vector can also be compressed. A motion
4 vector is compressed by predicting it based on another
5 block's motion vector.

6 Here, I will illustrate two blocks, Block 1 and
7 Block 2. The bold blocks represent where the blocks are
8 in the current image, and the faded blocks represent where
9 they are in the reference picture. Block 1, moved by the
10 amount shown by Motion Vector 1, and Block 2, moved by the
11 amount shown by Motion Vector 2, except with the arrows in
12 the opposite sense.

13 So Motion Vectors 1 and 2 are different, because
14 Blocks 1 and 2 move by different amounts.

15 We can predict Motion Vector 1 based on Motion
16 Vector 2. In that case, Motion Vector 2 becomes the
17 prediction motion vector for Block 1.

18 However, if we use only the prediction motion vector
19 to predict the position of Block 1 in the current picture,
20 we see that it points too far to the left. That is the
21 hashed version of Block 1 that I have shown.

22 Because it points too far to the left, we calculate a
23 difference value, which I have shown as a green arrow.
24 This green arrow represents the difference between
25 Block 1's prediction of the motion vector, which was based

1 on Block 2, that's here, and the uncompressed motion
2 vector for Block 1.

3 The difference value is a compressed version of
4 Block 1's motion vector. Only the difference value needs
5 to be coded. And that's what is transmitted in the
6 bitstream.

7 When decoding the predicted picture, the difference
8 value is used to generate the uncompressed motion vector
9 for the block.

10 And that is all I have to say about inter-coding. We
11 need to talk about intra-coding.

12 In intra-coding, macroblocks are predicted based on
13 the pixel values of their neighboring blocks within the
14 same picture. Intra-coding is also referred to as spatial
15 prediction. That means we don't have to use a different
16 reference picture.

17 Because the code pictures, starting from the upper
18 left corner and proceeding left to right, from top to
19 bottom, the only pixels from the neighboring blocks that
20 we know are those that are above and to the right of what
21 we are immediately trying to encode. And this is
22 illustrated in Figure 14 of the patents.

23 Intra-coding can be performed in any of nine
24 directions as shown in Figure 15. I will give the
25 vertical direction zero as an example.

1 For intra-prediction in the vertical prediction, the
2 value of the above neighbor pixel, capital A, is copied
3 downwards in the vertical direction into A, E, I and M.
4 Similarly, B is copied into B, F, J and M. Likewise, C is
5 copied into C, G, K and O. And again with D. So the
6 result is a 4 by 4 block of pixels that approximates the
7 block being coded.

8 Intra-prediction works similarly in the horizontal and
9 other directions. And we can think of this as taking a
10 brush loaded with the tone values of from A, B, C, D and
11 across, and sweeping the brush downward to create our
12 predictor. For the other directions, we just sweep the
13 brush in other directions. That concludes my discussion
14 of intra-coding.

15 Finally, I would like to discuss scanning paths. The
16 scanning path determines the order in which macroblocks
17 are processed.

18 When AFF coding pairs a group of macroblocks, there
19 are two possible ways in which to scan macroblock pairs or
20 groups within a picture, vertical or.

21 Figure 9 depicts horizontal and vertical scanning
22 paths for a picture that has been partitioned into pairs
23 of macroblocks.

24 Both scanning paths start at the upper left corner of
25 the picture. The horizontal scan path 900 scans each row

1 of macroblock pairs from left to right. As shown in
2 Figure 9, the second row is skipped because vertically
3 adjacent pairs are scanned together.

4 Within a macroblock pair, the top macroblock is
5 encoded first, followed by the bottom macroblock.

6 That concludes my discussion of scanning paths and of
7 Motorola's technology tutorial. Thank you, your Honor,
8 for your kind attention and patience. I would be happy to
9 answer any questions you may have.

10 THE COURT: I think I am fine. Thank you.

11 MR. JENNER: Your Honor, would you like a binder
12 and a DVD that has that in it for future reference?

13 THE COURT: Yes. And a copy of the remarks, if
14 that is included in the binder.

15 MR. JENNER: We can provide that.

16 THE COURT: You can submit it later.

17 Mr. Cederoth.

18 MR. CEDEROTH: Your Honor, I was going to try to
19 fill my five minutes with as much words and as many words
20 as I could. That was obviously a lot to digest in a very
21 short period of time.

22 My only real comment, one, just technical comment that
23 I don't think is really pertinent to the issues to be
24 discussed today, but it goes to the issue of whether the
25 encoding and decoding need to be mirror images. I think

1 the state of the technology is they do not. And there are
2 various reasons for that that go beyond anything we need
3 to get into today.

4 To the extent I have anything else in response to what
5 Dr. Drabik was saying, really goes to what is the
6 invention here. With the court's pleasure, I would
7 reserve those comments for the discussion of "macroblock,"
8 and maybe take a little extra time.

9 THE COURT: That would be helpful.

10 MR. CEDEROTH: Then we have nothing further at
11 this point, your Honor.

12 THE COURT: Mr. Jenner, do you want to take up
13 "macroblock"?

14 MR. JENNER: Yes, sir.

15 THE COURT: I must congratulate the professor. He
16 managed to do an entire tutorial and have every one of
17 them be a square, with the exception of Figure 7, which is
18 a challenge.

19 MR. JENNER: I have to say, your Honor, and
20 apologize to some extent, in that we repeatedly beat on
21 Dr. Drabik with the notion that it was important to try to
22 get this done, as it turns out with some foresight, in 20
23 minutes. It would have been a lot more comfortable and
24 leisurely to take more time than that, but it turns out
25 our 20 guesstimate was probably pretty close to what the

1 schedule was going to provide for.

2 THE COURT: Let me offer one practice pointer. We
3 find tutorials to be helpful. They would be more helpful
4 if they were to occur about three weeks before the Markman
5 hearing. If you do them the morning of the Markman
6 hearing, we have spent three weeks figuring out most of
7 what we just learned. Therefore, I think a more efficient
8 use of the court's time is to move those back in your
9 briefing schedules. That works well in this court. I'm
10 not sure all my colleagues feel the same way.

11 MR. JENNER: We will take that into account for
12 the inevitable future Markman proceedings.

13 Your Honor, I am going to present -- Well, the
14 original plan was that I would present on the first five
15 terms and Ms. Higgins would present on the second five
16 terms. That is now collapsing down to my presenting on
17 "macroblocks," and Ms. Higgins presenting on the two terms
18 that are left over of the last five. So that is basically
19 what our plan is.

20 Do we have copies of this we can hand out?

21 So the first term, and the term that has gotten a lot
22 of prominence in the briefing, is "macroblock." Here, we
23 juxtaposed the two proposed constructions for macroblock,
24 Motorola's being on the left. And your Honor can see that
25 the two principal points of contention are, first, whether

1 or not a macroblock needs to be the size of 16 by 16
2 pixels. We submit the answer to that question is yes.
3 And should the definition of macroblock refer to the luma
4 and the chroma samples that you saw and noted in the
5 tutorial, we submit that the answer to that is also yes.

6 First of all, and possibly, I would submit, most
7 compelling, is that the patent refers at least twice, and
8 I have cited them here on the left side of this slide, to
9 incorporating the then-pending MPEG-4 Part 10 standard by
10 reference. It is made a part of the specification, done
11 deliberately, and when you look into the standard, which
12 was Exhibit N to the joint submission by the parties, it
13 has a specific definition of macroblock, which is both a
14 16 by 16 array, and referred to in terms of the luma
15 samples and the corresponding chroma samples.

16 As I believe Dr. Drabik said, it was well known in the
17 art, and still is, that there is a correspondence between
18 the luma and chroma samples with pixels. So sometimes you
19 see it referred to as 16 by 16 pixels, sometimes you see
20 it referred to as 16 by 16 luma samples, with the
21 corresponding chroma samples. Either way is right, and it
22 fits the appropriate definition, which we submit is here
23 on the left.

24 THE COURT: Do you take the position that the 16
25 by 16 macroblock is the exclusive or the preferred size?

1 MR. JENNER: Your Honor, I certainly acknowledge,
2 as I must, that there are references in the specification.
3 I will characterize them, frankly, as lawyers words that
4 call it "preferred." And I know that has significance.
5 But both of the --

6 THE COURT: Let me stop you, counsel. One of the
7 wonderful things about our electronics is that if people
8 have their cell phones on silence, it will pick up the
9 activity. So if you have a BlackBerry, you need to turn
10 it off. You can't simply put it on silence. If you get
11 close to a microphone, it will start making that buzzing
12 sound.

13 MR. JENNER: It is not a phone, so it won't ring.
14 I will get rid of it.

15 Yes, your Honor, while acknowledging that there are
16 references to a preferable 16 by 16 size, we submit that,
17 for a number of reasons that I am going to go through, you
18 have to limit macroblock. When you read the patent as a
19 whole, including the incorporations of the standard, which
20 I submit are important, if not controlling, as well as the
21 prosecution history, as well as the ways in which larger
22 and smaller blocks are used in the specification, to the
23 point that Dr. Drabik made, that you are creating the
24 opportunity to have these two sizes of smaller blocks, the
25 16 by 16 and the 8 by 16, that you can't get in field mode

1 unless you have two 16 by 16 macroblocks. The whole
2 arrangement of the smaller blocks and the utilization of
3 those in the context of the decoder can't happen unless it
4 is a 16 by 16 block.

5 THE COURT: In our analysis, size is the
6 determining question in this area. And I am really hung
7 up on "preferred." "Preferred" is not patentable,
8 exclusive. "Preferred" is preferred. It seems to me that
9 you have chosen in your patent language to try and seize
10 the entire field. And now you are saying, Judge, don't
11 pay any attention to the man behind the curtain, it is 16
12 by 16. That's the tension that I am struggling with.

13 MR. JENNER: Your Honor, one of the things I will
14 show you in a minute is that the man behind the curtain,
15 actually, in the context of the prosecution history, if
16 there were any question about this, basically gave it up
17 in the way they distinguished the Obikane reference. And
18 I will come to that.

19 But I think the various things I am prepared to show
20 you, taken together, show that this is one of those
21 situations, even if the word "preferable" were used, you
22 have to understand that the embodiment disclosed is the
23 only embodiment of the invention. It is the only one that
24 works.

25 There are cases which we could submit to your Honor in

1 which the federal circuit has said, if the specification
2 actually consists of only one embodiment, then that's the
3 invention. I submit that applies here.

4 This is a 16 by 16 macroblock invention. And part of
5 the reason for it, as I have started out with, is because
6 that is what the technology was at the time. The standard
7 that is incorporated by reference was a 16 by 16
8 macroblock standard.

9 I know that Microsoft submitted a couple of
10 counter-proposed standards, but that is all they were.
11 They were proposals that were never incorporated. They
12 are not incorporated in the patent. They didn't become
13 standards. Nobody used them. This is the standard that
14 people went on to use. It is the standard that is
15 incorporated by reference.

16 And I submit, your Honor, that a significant case
17 which shows up here on Slide 6, that is right on the
18 money, is the LG versus Bizcom case, where the district
19 court had taken into account the language about a
20 preferred embodiment and said, well, if it is a preferred
21 embodiment, I don't care about the standard that is being
22 referred to.

23 And the federal circuit in this particular quote noted
24 that the district court had failed to consider the
25 standard as intrinsic evidence of the meaning to one of

1 ordinary skill in the art. And the court concluded that
2 the proffered definition, based on the standard, is
3 correct.

4 THE COURT: I think if you go back and look at
5 that case, what it said is, when they incorporate the
6 definitions in the standard, which this patent does not.
7 It, instead, uses it as an explanation for the invention.

8 You need to point me to some clearer authority that in
9 that context, where you don't incorporate the definitions,
10 that I am still bound by that line of authority.

11 MR. JENNER: Your Honor, the thing that I would
12 submit that I would ask you to look at is back on Slide 5,
13 the bottom incorporation refers to the present invention
14 relating to frame mode/field mode encoding of digital
15 video content at a macroblock level, as used in the
16 standard.

17 I would submit -- Certainly, your Honor, it doesn't
18 say, I hereby incorporate definitions. It is saying
19 content at a macroblock level as used in the standard. I
20 submit that that comes pretty darn close to saying it is
21 the macroblock definition of this standard that we are
22 comporting with. I think that is 99 and 44/100ths percent
23 of the way there.

24 So I would just urge your Honor to consider that, that
25 lower left incorporation on Slide 5 as really getting

1 there. I think that makes Bizcom really right on the
2 money. I would urge your Honor to consider that.

3 This is part of a progression of technology. You see
4 on Slide 7 that this evolution of standards continuously
5 referred to the array in the same terminology. In 1993,
6 it was 16 pels by 16 lines. In 1995, it was four eight by
7 eight blocks, which is 16 by 16. In '98, it was four
8 eight by eight blocks of luminance, coming from a 16 by 16
9 section. And then in 19 -- sorry, 2002, it is the
10 standard which is incorporated into the patent that flat
11 out says, 16 by 16 luma samples. And it continued on
12 right through 2010, in the H.264 standard, a 16 by 16
13 block of luma samples.

14 This is the knowledge that was being actually used by
15 persons of ordinary skill in the art, because that is the
16 standard of the industry. It is what people out in the
17 world were using. It is what was incorporated by
18 reference, not the discarded proposals that Microsoft
19 refers to in its papers.

20 This just really demonstrates what would have been
21 understood by a person of ordinary skill in the art of a
22 macroblock in 2002.

23 I'm sorry, your Honor?

24 THE COURT: Take me back to my basic federal
25 circuit law on this. It is my understanding that I look

1 to the definition found in the patent first, because the
2 patentee is free to adopt the most arbitrary and contrary
3 construction going, and doesn't have to be the
4 generally-accepted term of art by a person skilled in that
5 particular area. I understand the argument. I agree with
6 you, that you have seen this progression go through. But
7 does that help you in regards to the language that is in
8 the patent?

9 MR. JENNER: Yes, your Honor. If you look at the
10 cases that say when the specification and drawings are
11 taken as a whole, it demonstrates that the disclosed
12 embodiment is the invention, it is the only actual
13 embodiment of the invention, then the claims should be
14 correspondingly construed.

15 There are cases. We can submit them as a
16 supplementation if it would help. We can give you a few
17 cases where the federal circuit says, in essence -- These
18 are my words. I don't have a case to look at. That when
19 the disclosed embodiment is in fact the invention, as a
20 result of reviewing the patent as a whole, then the claims
21 are appropriately limited to that disclosure.

22 I appreciate what your Honor is saying, that obviously
23 my biggest hurdle is what you are raising, is this usage
24 of the concept of "preferable." But I believe the answer
25 to it is all the things I am taking your Honor through,

1 which demonstrate that the disclosure, taken as a whole,
2 shows that the disclosure of 16 by 16 is the one and only
3 invention contemplated by this patent. And that is not
4 detracted from by the fact that the word "preferable" was
5 used. Patent attorneys will use the word "preferable"
6 whenever they get the opportunity. I have been an
7 offender myself.

8 You will find it in every patent, just the way you
9 find at the end of the patent, the little paragraph that
10 says this has been a disclosure of embodiments, this is
11 not the only way, and lots of other things will be
12 contemplated by people of skill in the art, so on and so
13 forth.

14 But when you read the invention, when you read the
15 patent, taken as a whole, and I will walk you through a
16 few of these things, I think the fair conclusion that one
17 comes to is that the disclosure of macroblock being 16 by
18 16, in order to accomplish what is intended by the
19 disclosure, makes it the only invention.

20 Just one additional point I would make about the
21 understanding of persons of skill in the art on Slide 8,
22 is that those who wrote about this at about the time,
23 including people from Microsoft, acknowledged that
24 macroblocks were understood to be 16 by 16 samples.

25 One of the authors is Mr. Sullivan of Microsoft, and

1 he certainly understood in 2003 that that's what a
2 macroblock was, as did others.

3 The utilization of 16 by 16, notwithstanding the word
4 "preferable" in some places, is rampant throughout the
5 patent. It is shown in Figure 2, where it says
6 "preferable," but the only thing it shows is a block of 16
7 by 16 pixels as being a macroblock.

8 The same thing turns up on Slide 10 in Figure 7, where
9 there is some more discussion about the N by M array that
10 constitutes a macroblock. It says the N by M array is in
11 fact 16 by 16 rows. Even though there is general
12 discussion about N by M arrays, when it does come time to
13 put the rubber to the road, it shows it as being 16 by 16,
14 and that is all it shows it as being.

15 This now falls into the context of talking about
16 different size structures. One of the things the patent
17 does is to distinguish a macroblock from larger
18 structures. The total structure on the screen is a
19 picture. That is bigger than a macroblock. This
20 particular reference to Figure 2 also talks about a slice,
21 the Row 202. A slice is bigger than a macroblock. So we
22 know there is a limitation. At the end of the passage it
23 says, "As shown in Figure 2, a preferable macroblock size
24 is 16 by 16," but that is the only size that is shown
25 anywhere in the patent.

1 It has to be 16 by 16 for the reason of the problem
2 that Dr. Drabik explained was overcome. In Figure 3, 3(a)
3 through (f), it shows that in frame mode you could divide
4 a macroblock into these other smaller sizes. You couldn't
5 do that in field mode. One of the goals of field mode was
6 to recapture the two boxes at the top, the full 16, which
7 is the macroblock, and the one on the right, the 8 by 16,
8 which you couldn't get unless you used the macroblock pair
9 to get you 32 by 16.

10 So the fact that you are needing to divide down
11 structures to get to these other processing sizes, forces
12 you to start with a 16 by 16 block, in order to get to
13 macroblock pairs, the invention, which enables you to do
14 this kind of processing both in frame and field mode.

15 Another place where the specification distinguishes
16 from smaller-size blocks is in Figure 6(a) through (d),
17 where it describes macroblocks again being divided into
18 different-size blocks. And it shows four of the possible
19 sizes. But the only way you get there is by starting with
20 16 by 16.

21 Similarly, there are claims, as shown in Slide 14,
22 which distinguish the various sizes.

23 Claim 22 refers to an encoded picture, which includes
24 a plurality of processing blocks. The processing blocks
25 contain a pair or group of macroblocks, the macroblocks

1 contain the plurality of smaller blocks. This is another
2 scheme that shows you that a macroblock is a particular
3 size that enables you to be smaller than pictures,
4 processing blocks and slices, but bigger than the blocks
5 that you want to achieve in Figures 3 and 6 in order to do
6 the processing in both frame and field mode that you can
7 do with all of the sizes.

8 Now, I mentioned the prosecution history, your Honor,
9 that also relates to this. And I want to take a little
10 bit of time with Slides 15 and 16. Slide 15 is an excerpt
11 from this prior art patent Obikane. Obikane, as we have
12 highlighted, itself talks about macroblocks consisting of
13 16 by 16 arrays of picture elements. We called it out
14 with the highlighting. There are four 8 by 8 blocks that
15 when you do the geometry adds up to a 16 by 16 array.

16 So Obikane has already got and is processing a 16 by
17 16 array. And this was cited as prior art against the
18 applications that led to the patents that we are talking
19 about here. So that is called out right on Slide 15.

20 In order for the claimed invention -- The claimed
21 invention, your Honor will recall, processes pairs or
22 groups of macroblocks. It has to be two or more
23 macroblocks that you are processing in the invention.
24 Obikane is only showing a macroblock and processing a
25 macroblock.

1 And when we get to the prosecution history, as
2 exemplified from one of the patents in Slide 16, you can
3 see that that is what was distinguished. It isn't
4 distinguishing little itty-bitty sub-blocks, it is
5 distinguishing the decoding on a macroblock basis.
6 Obikane discloses decoding a macroblock, which we know
7 from Obikane is 16 by 16.

8 Then it goes on -- Obikane does not disclose encoding
9 and decoding processes involving more than one macroblock,
10 which is what the patents in suit do. If a macroblock
11 could be 8 by 8, as Microsoft would suggest, then a pair
12 of macroblocks would be 8 by 16, four would be 16 by 16,
13 the pair and the group of macroblocks would not be
14 distinguishable from Obikane's 16 by 16 array on the basis
15 that was argued successfully to the examiner.

16 That shows that if there were any doubt about what
17 Motorola ever had in mind, Motorola gave up any claim in
18 distinguishing Obikane to macroblocks that could be less
19 than 16 by 16. Otherwise, they could not have made this
20 argument, and the examiner would not have accepted it.

21 This shows that Motorola had limited itself to a
22 macroblock of 16 by 16, so that a pair of them would be
23 bigger than the Obikane 16 by 16 to allow the processing
24 of a pair of macroblocks to be distinguishable from
25 Obikane. That is an unequivocal surrender. If it needed

1 a surrender. I submit that it didn't. But this is an
2 unequivocal surrender of macroblocks that are less than 16
3 by 16 in order to successfully overcome the Obikane
4 reference.

5 This, to me, ultimately, on top of everything else,
6 ought to be dispositive of what a macroblock is in the
7 patents as issued after the completion of the prosecution
8 history.

9 Your Honor, should I pause here in case you have a
10 question on that?

11 THE COURT: No, I think I understand your
12 argument.

13 MR. JENNER: I will go on to 17. What I have done
14 through Slide 16, your Honor, is to try to show that the
15 patent as a whole, when you look at the usages of
16 macroblock, the incorporation of the standard, including
17 one incorporation that actually talks about macroblock as
18 used in the standard, when you look at other claims which
19 differentiate different sizes of blocks from a macroblock,
20 from a picture, from a slice, from smaller blocks, when
21 you look at the efforts that were made to enable field
22 coding to be as useful as frame coding by creating 16 by
23 16 macroblocks to pairs of macroblocks, and then when you
24 look at the prosecution history, all of these independent
25 events and statements add up to a totality that,

1 regardless of the use of the word "preferable," the only
2 thing that was comprehended that was used, that was
3 disclosed, that was enabled -- able to distinguish the
4 prior art, was a macroblock that had to be at least 16 by
5 16 pixels. Nothing else would have worked, and the
6 examiner would have held the patent invalid over Obikane
7 if macroblocks could have been smaller than 16 by 16. The
8 distinction made to overcome the reference could not have
9 been made.

10 Now I will deal with the other issue, which is whether
11 or not luma and chroma should be included in the
12 definition. That is Slide 17, your Honor.

13 And then what I put on here is -- up above, is the
14 incorporated definition again from the standard, in which
15 the standard itself, incorporated by reference,
16 characterizes the array in terms of luma samples and
17 chroma samples.

18 And then at the bottom, another excerpt from Obikane,
19 which is part of the intrinsic record. This is prior art
20 that was cited and distinguished. Obikane first described
21 the macroblock as being, again, a 16 by 16 array of
22 picture elements, which of course helps me on the first
23 point, and then goes on to characterize those in terms of
24 data blocks that represent color different signals, the
25 brightness data, Y[1] through Y[4] being the brightness

1 data, that is luma; and the data block Cb[5] and Cb[6]
2 representing the color differences, that is chroma.

3 In both the incorporated standard and in the prior art
4 it was understood that the 16 by 16 array of pixels means
5 luma samples and corresponding chroma samples. So it is
6 appropriate to describe it either way. It makes sense to
7 let the jury know that it is luma and chroma, to the
8 extent that is going to come up.

9 Slide 18, I just take my parting shot at why we submit
10 that Microsoft has ignored the relevant intrinsic
11 evidence.

12 I have five points here. First, Microsoft downplays
13 or ignores the explicit incorporation of the standard
14 definition of macroblock. And I submit to your Honor that
15 the LGE case is really very close on this point.

16 The specification consistently discloses macroblocks
17 as being only 16 by 16, no matter what my admitted concern
18 is about overcoming the use of the word "preferable."
19 There is a continuous and exclusive use of 16 by 16 in
20 ways that would only work. Nothing else will work in the
21 context of what was disclosed.

22 That leads me to the third point, which is that
23 Microsoft has in fact failed to read the specification as
24 a whole in order to make it internally consistent, such as
25 the need to be able to render all of the smaller blocks

1 that will be processed.

2 The extrinsic evidence that Microsoft has submitted to
3 your Honor is really -- it is inconsistent. It is really
4 irrelevant. It is one patent that has nothing to do with
5 this case, and it is two proposed standards that wound up,
6 to paraphrase somebody else's writing, in the boneyard of
7 abandoned standards. They were not the ones that ever
8 became used. They didn't become standards. The one that
9 is incorporated by reference is the one that matters, and
10 it supports Motorola.

11 And then, finally, the intrinsic record makes it clear
12 that pixels correspond to luma and chroma.

13 And, finally, on Slide 19, I conclude with these
14 various internal patent references to the different other
15 sizes of kinds of blocks which Microsoft's definition
16 would improperly encompass. We know that pairs of
17 macroblocks have to be 16 by 32, two 16 by 16s, and that
18 is explicitly called out in Column 7 in Figure 7. We know
19 groups of four are 32 by 32. That is expressed and called
20 out. We know that the smaller-sized blocks that are
21 wanted for the processing techniques go from 16 by 8 down
22 to 4 by 4. That is called out in several places. The
23 only way you can accomplish all of this is if you
24 recognize the patent as a whole, this teaching, that a
25 macroblock has to be a 16 by 16 array.

1 I have probably said enough. Does your Honor have any
2 questions?

3 THE COURT: One last one. The '374 patent, you
4 will get tired of me talking about this, states, "The
5 documents establishing the standard are hereby
6 incorporated by reference, including the joint final
7 committee draft."

8 MR. JENNER: That is Column 4, your Honor?

9 THE COURT: That is Column 4. And then the next
10 paragraph says, "Although this method of AFF encoding is
11 comparable with and will be explained using the standard
12 guideline, it can be modified and used as best serves in a
13 particular standard or application." What does that
14 language mean?

15 MR. JENNER: Your Honor, that is a statement that
16 says you could do it other ways. It is like the statement
17 that generally appears at the back of the patent that says
18 persons of skill in the art will recognize that the
19 patents should not be limited.

20 I certainly acknowledge, your Honor --

21 THE COURT: I want to know what it means. Why is
22 it there? You have already confessed to the cardinal sin
23 of importing from the specification.

24 MR. JENNER: All I can tell you is my take on it.
25 My take on it is that the lawyer was trying to preserve

1 the opportunity to imagine other ways in which this could
2 be done. He has said, in effect, although the standard is
3 important, there might be other ways to do this. And I
4 have a problem with that. Of course I do.

5 But I submit to your Honor, when you take all of the
6 things that I have pointed out to you together, and look
7 at those in light of the federal circuit cases that say
8 when it is clear on the reading of a patent as a whole
9 that the only disclosed embodiment is the invention, then
10 the claims should be limited to that.

11 If your Honor wants cases on that, we would be glad to
12 get them for you.

13 THE COURT: Thank you, Mr. Jenner.

14 MR. CEDEROTH: May I proceed, your Honor?

15 THE COURT: Mr. Cederoth, go ahead.

16 MR. CEDEROTH: Your Honor, to some extent I
17 hesitate to weigh in, because I think you have stolen all
18 my thunder with your questions.

19 Let me start first with where you always start with
20 claim construction, and that is the claims, what does the
21 language of the claims say. Here, the claims use the
22 expression -- the term "macroblock." All of the claims in
23 all three of these patents use the term "macroblock."
24 None of the claims specify a size. None of the claims
25 specify luma. None of the claims specify chroma.

1 You would think that if a particular size was key to
2 this invention, that some of the dependent claims might
3 have come along and said, oh, 16 by 16, or 32 by 32, or 8
4 by 8, or some other example. That is sort of a typical
5 patent lawyer effort to get the specific while still
6 claiming the broad. Here, they only claim macroblock.

7 As counsel pointed out, though, if you look at the
8 claims -- again, just the claim language, each of the
9 claims refers to some portion of the picture that is
10 larger than a macroblock. In the end, the invention that
11 was claimed in these various permutations in all three of
12 these patents is processing two or more macroblocks at the
13 same time. I will come back to that when we discuss
14 Obikane and the prosecution history.

15 But they refer to these smaller portions of the
16 picture, but larger than a macroblock, as smaller portions
17 in the instance of all the claims of the '374 and '375.
18 And in the '376 they refer to them as processing blocks,
19 again, which comprise either a pair or a group of
20 macroblocks.

21 As a whole, the claim language manifests an effort not
22 to be limited to any particular size. And this is
23 confirmed really with the specification.

24 A little bit --

25 MR. JENNER: Could counsel provide a copy of the

1 slides? I'm sorry.

2 THE COURT: You may approach.

3 MR. CEDEROTH: I will approach.

4 Let me start with the invention, your Honor -- what
5 the patent document purports to describe as the invention.
6 This concept of adaptive field/frame coding was something
7 that was known in the art. Among his remarks this
8 morning, Dr. Drabik discussed that. The patent describes
9 it, known in the art, as having been applied on a picture
10 basis, picture by picture.

11 The patent, as shown here in Column 4, purports, by
12 way of the present invention, to extend the concept of
13 picture-level AFF, or adaptive field/frame coding, to
14 macroblocks; and then as we see in the claims, to doing it
15 in some smaller portion of the picture that comprises
16 multiple macroblocks.

17 The picture as a whole could be -- A typical size
18 might be 480 by 720 pixels. The patent takes pains not to
19 define what the size of the picture is. And as we have
20 seen, they have always made clear that the 16 by 16 is the
21 preferred embodiment.

22 In terms of the notion of providing optimal sub-block
23 size for doing this AFF coding, the patent could have
24 described using some part of the picture by way of
25 relative size. It could have described it as, for

1 example, dividing the picture in half, or taking a tenth
2 of the picture or a twentieth of the picture, and
3 processing it in that manner.

4 Instead, the patent refers to use of macroblocks. And
5 it tells us, at Column 5, 56 to 58, that a macroblock is a
6 rectangular group of pixels. In the immediately
7 succeeding sentence it says, "A preferable macroblock is
8 16 by 16 pixels."

9 It comes back then later in Figure 5 with an even more
10 generic description. It says, "The macroblock has M rows
11 of pixels and N columns of pixels." Again, M and N are
12 just held out as genetic variables. They possibly could
13 be the same, they possibly could be different. The patent
14 does not impose any specific limitation on the value of M
15 or N.

16 Again, in the next sentence it says, "A preferable
17 value of N and M is 16," making the preferred macroblock
18 16 by 16.

19 Motorola refers at length to the AVC standard that is
20 referenced in the patent document. And there is no doubt
21 that it is referenced in the document. But it expressly
22 refers to it as an example. This is the language the
23 court was just asking counsel about. While it says that
24 the method of AFF coding is compatible and can be
25 explained using the guidelines and the standard, it also

1 says it can be modified and used as best serves a
2 particular standard or application.

3 I submit we are here talking about 16 by 16, because,
4 in fact, the standard that was adopted was the AVC
5 standard. It was a subsequent draft of what was attached.
6 And the accused products attempt to be compatible with the
7 standard.

8 I also submit that if a slightly different standard
9 had been adopted, counsel would have been up here pointing
10 to this language and saying, this patent is not limited to
11 this particular standard, you must be kidding me. And the
12 patent document itself, as a whole, from front to back,
13 uses what the federal circuit has referred to as words of
14 inclusion as opposed to words of exclusion, in terms of
15 referring to the preferred embodiment. And here, there is
16 no doubt that the preferred embodiment is 16 by 16. But
17 that is not the only size that would work.

18 Further, that the claims don't require -- Dr. Drabik
19 did talk this morning about Figures 3 and 6 in terms of
20 dividing macroblock into subparts. The claims,
21 particularly the independent claims, don't necessarily
22 require that operation. They may cover it, but they don't
23 require it. Again, they are drafted in a way to be broad
24 and inclusive.

25 To some extent -- I'm not sure whether counsel was

1 attempting to hinge arguments on Dr. Drabik's tutorial
2 this morning by way of testimony. I think not, because
3 the parties have agreed expert testimony was not required
4 for resolving this issue. Neither party submitted expert
5 testimony in conjunction with the briefing.

6 But to the extent there is reference to some size that
7 must necessarily be incorporated in order for the
8 invention to work, the patent doesn't say that, and the
9 claims don't require the division into sub-blocks on which
10 the argument rests. And, frankly, when you get right down
11 to it, it is just an issue of math. 16 by 8 blocks would
12 work for this issue, other sizes can be made to work.
13 That is really a sub-issue.

14 Let me talk just briefly, your Honor, about the case,
15 the LG Electronics case that counsel pointed to. In that
16 case, similar to here, the industry standard was
17 incorporated as a preferred embodiment. On our Slide 7 we
18 printed part of the case, the text from the decision. At
19 the bottom we provided a chart which shows the language
20 that was used in the patent at issue in the LG Electronics
21 case, and the language which is used in the '374 patent.

22 But in LG, the court did not find that the patent had
23 used the standard to define the disputed term. The court
24 went on to say that the standard was in fact evidence of
25 how one of skill in the art would use the term. There is

1 no doubt that the standard here is also an example of a
2 macroblock.

3 But there are other examples of macroblock.

4 One final word on the standard, your Honor. When you
5 go to the standard document itself, it is not actually
6 trying to provide meaning of the terms as understood in
7 the industry at large. In fact, what it is trying to do,
8 and what it purports to do, is provide definitions that
9 apply to that standard, presumably because these terms
10 were used differently or may well have different terms to
11 those of ordinary skill in the art when they pick up the
12 standard.

13 So for this standard, that is the size. And that
14 makes perfect sense. In every specific implementation,
15 when you are going to set out to do this type of coding,
16 you are going to have to pick a size. The macroblock is
17 going to have to have a size.

18 But the issue before the court is the patent document,
19 and whether the patent document has been drafted by the
20 inventors and their attorneys in a manner which limits it
21 to a specific size. And there is no evidence that it has
22 done that, or that the inventor sought to do that.

23 We have added a number of slides here, your Honor.
24 These are exhibits which were attached that the briefing
25 referred to. These just provide additional examples of

1 how macroblock was used in the prior art to refer to a
2 block size, which is not 16 by 16. There is no need to
3 read them. It is simply Slide 7 through 11 of our chart.

4 There were some other issues, though, that counsel
5 raised that I would like to address. One is the issue of
6 the Obikane reference in the prosecution history. There,
7 counsel put up a slide describing Obikane, and a quote
8 from it, that the macroblock there is 16 by 16. And he
9 put up a slide which included the argument from Motorola's
10 patent lawyer as to why Obikane did not anticipate.

11 The problem is that the examiner did not accept that
12 argument. The argument stated was not the basis upon
13 which the examiner allowed the claims or found that the
14 claims distinguished from Obikane.

15 In fact, what the examiner required, and as was each
16 of the independent claims in all three patents, were
17 amended to add the phrase "At a time" in multiple
18 instances, and the reasons for allowance. These are
19 attached, your Honor -- the amendments are attached to our
20 brief, I believe at Exhibits D and E, in terms of the
21 reasons for allowance in the amendments. There are
22 other -- The same amendment was made in each of the
23 prosecution histories. We attached just the one example.

24 But in each reason for allowance, the examiner
25 underscores that the distinction over the art hinged upon

1 the language that the examiner added, "at a time," not the
2 other language in the claim.

3 So I agree with counsel, in the absence of that,
4 Obikane would anticipate. I mean, that's the way
5 anticipation works. 16 by 16 is an example of a
6 macroblock. And Obikane had 16 by 16 macroblocks.

7 Briefly, there was mention that a Microsoft author had
8 referred to 16 by 16 macroblocks. The document that
9 flashed up on the screen was in fact the document about
10 the standard. And I don't think anybody disputes the
11 standard, the AVC standard that was being referred to,
12 uses 16 by 16 macroblocks. That is simply chronological.
13 The standard has to have a standard size, and that is the
14 size that standard uses. But that begs the question of
15 whether this patent document is limited to 16 by 16.

16 Again, the same in terms of the standard and this
17 issue of subdividing the macroblock into sub-blocks. The
18 standard doesn't require that either. It can be done, or
19 it need not be done. Sometimes macroblocks can be
20 processed as the entire macroblock itself.

21 The luma and chroma issue, your Honor: First, let me
22 go back to the claim language on that issue. Each of the
23 claims referred to -- that are at issue here, refer to
24 decoding a picture. There is no limitation that that
25 picture be a color picture. The picture is what the

1 picture is. There would not be separate luma and chroma
2 information for a black and white picture.

3 Again, the claims are drafted at the general level,
4 not at a specific level. So layering in luma and chroma
5 is contrary to the language of the claims itself.

6 Further, when you go to the actual processing details,
7 whether it is in Obikane or in the standard, all that
8 shows is that luma and chroma are processed separately.
9 They are still talking about a macroblock of a particular
10 size in each standard. And a macroblock in the patent is
11 this generic size, again, with the preferred embodiment
12 being 16 by 16.

13 It is a little bit of a strange hat I am wearing
14 today, your Honor, as the accused infringer, standing here
15 saying that patents should not be limited to its preferred
16 embodiment. I suspect the court has heard that turned the
17 other way many times in other cases.

18 This patent is drafted not unlike many of the others
19 you have encountered, as the pro forma paragraphs at the
20 end. But, again, looking at the document as a whole, it
21 is drafted in terms of exclusion/not exclusion. It would
22 have been a simple thing to say that the invention is 16
23 by 16 macroblocks. It would have been a simple thing to
24 write that size into the claims. To try to incorporate it
25 by reference seems a very odd way for inventors to

1 articulate a limitation that counsel now argues to be
2 critical to the invention.

3 Your Honor, I am finished, unless there is anything I
4 can answer for the court.

5 THE COURT: I understand the argument.

6 Mr. Jenner, you have three or four minutes, and then
7 you are done.

8 MR. JENNER: I would like to make five or six
9 points, your Honor.

10 The first one is, I think that counsel's first point
11 actually supports my position. Counsel is wondering why
12 there weren't dependent claims that called out specific
13 sizes, such as a dependent claim that might say, wherein
14 the macroblock is 16 by 16, or some other block is 8 by 8.

15 I submit, your Honor, that actually turns the other
16 way. If there had been a dependent claim in this patent
17 that says the macroblock is 16 by 16, that would be
18 evidence by claim differentiation that the independent
19 claim is not limited to a macroblock of 16 by 16.

20 The fact that they didn't add that kind of dependent
21 claim is actually some evidence they were not thinking of
22 16 by 16 as a subset of something larger. So I think that
23 actually should be taken the other way.

24 Your Honor, I would like you to look, if you can --
25 unless counsel can do it for me, at Microsoft's Slide 7,

1 which is the slide in which they characterize and compare
2 the LGE case. I think that actually also helps to make
3 our point. They note that in LGE the industry standard
4 was incorporated, but as a preferred embodiment.

5 And then they have a second quote that says the
6 specification makes this clear by saying that although we
7 will describe this in a Multibus II environment, it can be
8 appreciated and used in other ways. That is exactly what
9 we have got with the '374, '5 and '6 patents.

10 Then in the bottom lower left they say again, although
11 the method and apparatus will be described in the context
12 of multi BUS two, the standard, it should be appreciated,
13 can be practiced in many digital computer systems having
14 other BUS arrangements.

15 In the lower right, although the method was AFF
16 coding, they can compare it to what was said in LGE. The
17 interesting factor is, the federal circuit went on to say
18 that is precisely the situation where it was wrong to
19 limit it to the preferred embodiment, and you should have
20 adopted the definition of the standard. So I submit that
21 Microsoft's own chart helps to make my point that LGE is
22 very much on point for what happened in this case.

23 Counsel referred to the prior art Legall --
24 L-E-G-A-L-L, patent as having some different size. Slides
25 10 and 11 referred to those other two proposals. Those

1 are the things I characterized, your Honor, as extrinsic
2 evidence, that, number one, can't be used to contradict
3 intrinsic evidence.

4 In any event, those proposals are the ones that wound
5 up in the boneyard of abandoned proposals. They were
6 never adopted, never became anybody's state of the art
7 recognition of anything.

8 It is the H.264 standards that we charted through time
9 in Slide 6 and 7 of our slides that show what actually did
10 become the paradigm for the level of knowledge and skill
11 in the art. So this extrinsic reference to other
12 documents really cannot be used to contradict all the
13 intrinsic evidence that I showed you.

14 Counsel characterized the invention as being a 16 by
15 16 macroblock. That is not the invention. When your
16 Honor reviews the patent, what you will see is that the
17 invention was the utilization of macroblock pairs.
18 Macroblock pairs. So that you have a 16 by 32 array that
19 would enable you to get those additional smaller blocks
20 that could be used in frame mode but not in field mode.
21 And that's what is claimed in the claims.

22 When you look in the claims, you will see that the
23 invention is characterized in terms of pairs or groups,
24 larger numbers of macroblocks, not a single macroblock.
25 The invention here wasn't 16 by 16. That was what was

1 known in the art by virtue of the standard. That's what
2 everybody knew a macroblock was.

3 The invention was working on processing blocks, which
4 the claims defined to be two or more macroblocks. It is
5 right in the claims. Or on smaller portions. In the
6 spec, a smaller portion is defined to be one, two or four
7 macroblocks, and the claims then go on to refer to two
8 smaller portions.

9 So in all of the cases, the claims, in one variation
10 or another, are talking about two macroblocks or more as
11 providing the advance in processing that gives you the
12 invention. The invention was not a 16 by 16, or any other
13 size, macroblock. It was already known that a macroblock
14 was 16 by 16.

15 My last point is the differentiation of Obikane. If
16 we could have up one more time our slide. I think it is
17 18. It is 16. Slide 16, which we are landing on, makes
18 it very clear that what Motorola argued, which would be
19 the basis for any limitation by Motorola, is that Obikane
20 discloses processing on a single macroblock basis, which
21 Obikane called 16 by 16.

22 Obikane does not disclose processing involving more
23 than one macroblock, or a scanning path to encode or
24 decode plural macroblocks, two or more macroblocks. That
25 was the distinction of the prosecution by Motorola over

1 Obikane.

2 That is the reason why the examiner in his amendment
3 put "at a time," because he was saying you took a
4 processing block of two macroblocks or two smaller
5 portions, two macroblocks, and you processed the two
6 macroblocks at a time. That is what "at a time" meant.

7 There was nothing in this prosecution about Obikane
8 disclosing smaller units, and whether or not you could
9 process smaller units. The distinction Motorola made and
10 that the examiner accepted with his amendment was that
11 Motorola processes two or more macroblocks at a time,
12 unlike Obikane. That is the "at a time" with the claims.

13 All of this evidence adds to what I submitted at my
14 opening, a macroblock needs to be understood as being a 16
15 by 16 array. That was the understanding in the art, the
16 patent, the claims, the prosecution history. I submit,
17 your Honor, it is the right instruction.

18 THE COURT: All right. We will take our morning
19 break at this time, which will be 15 minutes or so. When
20 we come back, we will do Claims 9 and 10. I am going to
21 give you 15 minutes for each of them, divided seven and a
22 half, seven and a half.

23 I will tell you that the constructions proposed on 9,
24 in particular, do not make sense to us. They may be
25 staking out some further position in the litigation, but

1 they certainly have nothing to do with the patent. Know
2 that you have a selling job to do on that one.

3 We will finish that at approximately 11:20 or so, and
4 that will give us 40 minutes to talk about where we go
5 from here. We will be in recess for 15 minutes.

6 (At this time a short break was taken.)

7 THE COURT: Counsel, Term 9.

8 MS. HIGGINS: Yes, your Honor. Good morning.
9 Close to afternoon now.

10 THE COURT: You are starting with a level playing
11 field by my having said I don't like either side's terms.

12 MS. HIGGINS: That leads me to wonder which side's
13 construction you like less. I will do my best to persuade
14 you that Motorola's construction is the correct one.

15 THE COURT: Let me help you. I think our problem
16 is, in part, we have done back-to-back jury trials, and we
17 had a jury that couldn't figure out what the word
18 "furtherance," as in "in furtherance of a conspiracy,"
19 meant. I don't know how you all expect someone to
20 understand, "Wherein at least one block within said
21 plurality of smaller portions at a time is encoded in
22 inter-coding mode."

23 Folks, they come in here, we pay them \$10 a day, they
24 try really hard. Our job is to be helpful. That is just
25 not helpful.

1 I think Motorola's proposed construction is a
2 regurgitation of the patent terms, which is good.
3 "Inter-coding mode" is not a -- that is just not in their
4 vocabulary. I don't think they are going to figure it out
5 at trial. I am looking for a way to give them terms that
6 they are going to be able to understand. That's what my
7 concern is on 9.

8 MS. HIGGINS: Okay. If you could bring up
9 Slide 62, please. I am actually going to our brief,
10 because we had dropped from the construction here a
11 definition of inter-coding mode. So if you can turn to
12 63.

13 The parties during the exchange had exchanged
14 definitions for inter-coding mode, and there didn't appear
15 to be any dispute. So we dropped ours. But let me see if
16 I can bring that up.

17 In Motorola's brief, at Page 8, we provided a
18 construction for the words "inter-coding mode." And we
19 said that it is a mode that uses information from both
20 within the picture and from other pictures. The concept
21 there, your Honor, is just to try to distinguish this
22 inter-coding from intra-coding. Both intra and inter are
23 forms of prediction. We would definitely have testimony
24 to explain prediction. And obviously intra is what
25 happens within a picture frame, and inter is what happens

1 when you are using information from one picture frame to
2 predict within another picture frame.

3 I propose that if the court seeks to define
4 inter-coding, we have provided a definition. I don't
5 think that Microsoft has provided one in return.

6 As to --

7 THE COURT: What if we defined it more along the
8 lines of: Is encoded in inter-coding mode, dash, a coding
9 mode which uses information from both within the picture
10 and from other pictures? I think they could understand
11 that.

12 MS. HIGGINS: That sounds fine, your Honor.

13 THE COURT: Good. Would you like to sit down
14 then?

15 MS. HIGGINS: If you say so.

16 THE COURT: That was a joke.

17 MS. HIGGINS: If you are good with that, I would
18 be happy to sit down.

19 THE COURT: All right. Let's hear what Microsoft
20 says.

21 MS. HIGGINS: There is another dispute, and that
22 is the term "is encoded."

23 THE COURT: All right. Please be heard on that.

24 MS. HIGGINS: As you can see in Slide 63, Motorola
25 proposes that the words "is encoded" is clear on its face.

1 Microsoft, on the other hand, would change the words "is
2 encoded" into an active verb, and require that there be a
3 separate encoding step within the overall decoding
4 process, which is what is claimed in the claims.

5 And so we have framed the dispute in Slide 64 as,
6 "Does the language 'is encoded' describe the state of
7 already being coded in inter-coding mode, and not a
8 separate step of encoding?"

9 I submit to you if we turn to Slide 65, and we look at
10 the claims in which the term "is encoded" appears, in the
11 context of the whole claim, "is encoded" is referring to
12 the state of certain information, for instance, the state
13 of a picture, the state of a block as it is received by
14 the decoder.

15 And one of the things, just in terms of the overall
16 context of this patent, you will notice, your Honor, that
17 in all three of the patents there are separate steps to
18 encoding, and there are other steps -- excuse me, other
19 claims to decoding. And here we are dealing with the two
20 claims that are at issue here that contain the words "is
21 encoded," are both claims to decoding.

22 As is clear from the claims, we are talking about
23 decoding an encoded picture. And what is important there
24 is, one of the distinctions between the encoding claims
25 and the decoding claims, is that the person who wrote the

1 claims is telling us about the state of the information
2 that is received from the encoder. So certain actions
3 took place in the encoder, and now these decoding claims
4 are describing active steps, but they are also describing
5 the state of the information.

6 THE COURT: All right.

7 MS. HIGGINS: If we look at the claims --

8 THE COURT: We have debated this question at some
9 length. I think I understand your argument.

10 Is the person who wrote Claim 8 still alive?

11 MS. HIGGINS: I believe so, your Honor. That's --

12 THE COURT: Hopefully they are old enough that
13 they are no longer contributing to the gene pool. That is
14 the singularly worst written claim. We have tried
15 everything, and you cannot make sense out of that claim.
16 I am happy to hear he or she is still with us. Thank you,
17 counsel.

18 Mr. Cederroth, can you limit your remarks to the
19 encoding portion of this? It seems to me that the
20 Microsoft argument is absolutely correct, in that you have
21 added an additional step in here. You do it several times
22 during the course of your claim construction, where you
23 are taking an I-N-G word and construing it in a manner
24 that it is both the activity and then the result. So help
25 me with why you do that.

1 MR. CEDEROTH: For two reasons, your Honor. If I
2 could put up the claim language with this term, and just
3 close the loop you started with counsel.

4 We are in agreement with the court's phrasing on what
5 inter-coding mode means. That's great. We have defined
6 what that means. That is tacked on to our construction as
7 well.

8 Specifically the court's question: The claims are
9 themselves not particularly clear. And if you read all
10 the claims in the patent, these claims that we are looking
11 at right now, as in the '374 patent, this phrasing is used
12 in every one of the claims of the '374 and the '375,
13 except in the '375 it refers to intra-coding mode, so that
14 the same issue awaits us in the '375.

15 The next term on the docket today is this issue of "is
16 received." And we will come back to that.

17 But looking at Claim 2 of the '374 patent, your Honor,
18 this is a claim that -- it's a method claim, and refers in
19 fact to an encoding method. It is the dependent claim of
20 Claim 1, which is a method of encoding. But in Claim 2,
21 it says the method of Claim 1, "Wherein at least one
22 motion vector is computed for at least one block,"
23 et cetera. The same English phrasing is used,
24 "Wherein --"

25 THE COURT: Counsel, what column are you in in the

1 '374 patent?

2 MR. CEDEROTH: I'm sorry, your Honor. I am in
3 Column 18, Lines 4 through 6, Claim 2.

4 THE COURT: Thank you.

5 MR. CEDEROTH: The same phrasing is repeated in
6 the next claim, Claim 3, which is Column 18, Lines 7 to
7 19. There, it refers to, "Wherein at least one motion
8 vector is spatially predictive coded."

9 So the patent document, the author here, has used this
10 phrasing to refer to an actual operation, in contrast to
11 an operation which occurred in the past which creates a
12 state for a particular -- in the instance of Claim 8, for
13 this particular block.

14 So just looking at the document itself, it is not
15 clear in any particular instance when this phrasing
16 technique is used, whether it is referring to an operation
17 or to the status of a particular entity.

18 In Claim 8, as with all the independent claims in all
19 of these patents, it has the added phrase of "at a time"
20 in multiple instances. This is something the examiner
21 added in the examiner's amendment in each of the patents.

22 In the context of Claim 8, it occurs -- look, your
23 Honor, at Column 18 of the '374 at line 44. The "at a
24 time" first appears at line 47, where it says "Decoding at
25 least one of said plurality of smaller portions at a

1 time." And it occurs in the next line, where it again
2 refers to "smaller portion at a time." And then the
3 language that we are discussing now appears at lines 50
4 through 52, where it refers to these smaller portions, and
5 "at a time" is encoded in inter-coding mode.

6 As we discussed in the context of the amendment to the
7 distinguish Obikane reference, the examiner was importing
8 this temporal limitation. Counsel has explained that the
9 notion of the invention was that multiple macroblocks were
10 being processed together at a time.

11 And just trying to make sense out of this language,
12 your Honor -- It is used clearly elsewhere in the patent
13 to refer to an operation which is performed, it is linked
14 to the decoding operation, which is clearly an operation
15 that is performed and is linked to this temporal
16 limitation of "at a time."

17 And, frankly, to turn it around, it doesn't make a lot
18 of sense to have "at a time" appended to the status of
19 this block. I am not really sure what that would mean
20 then.

21 Interestingly -- maybe not interestingly, your Honor,
22 but when we get to the '375 patent, the phrasing there,
23 the "at a time" is moved in the language to a slightly
24 different place, but also again in relation to this "is
25 encoded."

1 Your Honor, it is far from perfect, but it is the best
2 we can make of it, is that it refers to an actual
3 operation as opposed to the status of the block.

4 THE COURT: All right. Thank you.

5 MS. HIGGINS: Your Honor, can I make a few
6 comments?

7 THE COURT: You used up all of your time. If you
8 want a minute, we will take it out of your Claim Term 10.

9 MS. HIGGINS: Very, very quickly, your Honor.

10 Can you bring up Slide 65, please? Mr. Cederoth
11 suggested that the "at a time" language modifies
12 processing. But in fact, the "at a time" language
13 modifies the "at least one of said plurality of smaller
14 portions."

15 And in the claim language, where it is referring to
16 "at least one block within at least one of said plurality
17 of smaller portions at a time," the "said plurality of
18 smaller portions at a time" is an antecedent reference
19 back to the smaller portions above. It is not suggesting
20 that there is an action there. As I said, I believe from
21 the overall context of the claim, we are talking about the
22 state of the blocks, just as we are talking about the
23 state of the pictures, not any actions. It wouldn't make
24 sense to add an encoding step into a claim that is
25 claiming decoding.

1 THE COURT: All right. You are up next, counsel.

2 MS. HIGGINS: Yes. If you would give me one
3 moment?

4 May I have Slide 67, please? The next claim term is
5 another "wherein" clause.

6 68, please. Once again, your Honor, Motorola has
7 proposed that no construction is necessary here. The main
8 issue in dispute, Slide 69, please, is really whether a
9 received motion vector can be a value that represents the
10 amount of motion as opposed to a value that contains,
11 i.e., is the amount of motion.

12 70, please. Now, Dr. Drabik, in his tutorial,
13 discussed the calculation of motion vectors. And he
14 referred to motion vectors in both their compressed and
15 uncompressed form. And I think that is an important
16 concept to note, that the motion vectors, just like all of
17 the information that you want to encode, are compressed.
18 You do that because motion vectors themselves take up
19 bits, and you only want to send as few bits as you can
20 over the bitstream.

21 Motorola's proposed construction -- We propose the
22 words "value that represents the amount of motion" is more
23 accurate than "value that contains the amount of motion,"
24 because "contains the amount of motion" would refer only
25 to the fully uncompressed motion vector. It is clear from

1 the specification and the claims that motion vector is
2 referring to both the compressed version of the motion
3 vector and the uncompressed version of the motion vector.

4 Let's take a look at the patent specification on
5 Slide 70. Here, as Dr. Drabik explained, within the
6 encoder motion vectors are compressed. And it can be
7 complicated the way that is done, but very simply -- not
8 very simply, but what you are doing to compress the motion
9 vector is, you calculate something that is called a
10 predicted motion vector. And then in simple terms you
11 subtract your predicted motion vector from your fully
12 uncompressed motion vector, and you get a difference
13 value.

14 What is sent in the bitstream to the decoder can be a
15 compressed version of the motion vector. It can also be
16 an uncompressed version. It can be either.

17 And the second -- the first statement here in the
18 specification, I have highlighted the specification in the
19 first block, the last line, where it says, "This generates
20 compressed bits for motion vectors," which supports the
21 fact that motion vectors can be represented with
22 compressed bits. And those compressed motion vectors can,
23 in turn, be transmitted in the bitstream.

24 Next slide, please. Now, one of the very large
25 concerns that we have with Microsoft's proposed

1 construction is that they have actually based their
2 construction on language right out of the specification,
3 except it is not language right out of the specification.
4 They actually took the words "containing in the amount" --
5 "containing the amount of temporal motion required for the
6 image to move to a new temporal position in the picture,"
7 they took out the word "containing" and they replaced it
8 with -- Excuse me. They took out the word "represent."
9 I'm sorry. I had that backwards. The specification is
10 shown at the bottom of the page. The specification uses
11 the word "represent." Motorola's construction took out
12 the word "represent" and replaced it with "containing."
13 And in doing so, that leaves room for Microsoft to argue
14 that the motion vector then only refers to the fully
15 uncompressed motion vector, as opposed to information that
16 represents the motion vector, which can be either the
17 compressed or uncompressed form.

18 Slide 72, please. The next slide in that sequence.
19 The claims also support the fact that the motion vector
20 can be the motion vector in uncompressed form or
21 compressed form. Both of them are supported by the claim
22 language. And that is because Claim 10 refers to the
23 motion vector that is spatially predicted. And so it is
24 referring to the state of the motion vector as it is
25 received by the decoder. "Spatially predicted" means that

1 it is a compressed version of the motion vector.

2 And then down in Claim 12 -- here in Claim 12 the
3 motion vector is then being reconstituted. We are
4 generating a motion vector from the predicted motion value
5 and the difference value. And so Claim 9 must necessarily
6 be broad enough to encompass each of the independent
7 claims.

8 And so, overall, your Honor, it is Motorola's position
9 that the motion vector should be construed to cover both
10 the compressed and uncompressed version of the motion
11 vector.

12 THE COURT: Thank you. Mr. Cederoth.

13 MR. CEDEROTH: Yes, your Honor. If I could, your
14 Honor, start where counsel ended. The language that is
15 highlighted in 72 goes on to say, "Wherein at least one
16 prediction motion vector and a difference value received
17 in the bitstream are used to derive at least one motion
18 vector of said current Y."

19 If you go back to Claim 9, and the language that we
20 are attempting to construe here, it is "Wherein at least
21 one motion vector is received."

22 The dispute is simple, whether the motion vector is
23 received or whether it is calculated at the decoding. And
24 this claim, Claim 9, says the motion vector is received.
25 That is 100 percent consistent with the specification in

1 relation to a motion vector as opposed to the predicted
2 motion vector.

3 This is the same quote from the specification counsel
4 just had up there, Column 6, lines 29 to 31. It says,
5 "The motion vectors used for the temporal prediction with
6 motion compensation need to be encoded and transmitted."
7 They are being transmitted on the encoding end, and being
8 received at the decoding end, which is what Claim 9 refers
9 to.

10 Claim 12, that counsel refers to, adds on and goes
11 beyond that, and refers to additional values that can be
12 in the bitstream. I think that's as simple as it gets.
13 That is where we are.

14 THE COURT: Thank you.

15 MR. CEDEROTH: Nothing further.

16 MS. HIGGINS: Can I make one statement along this
17 line?

18 THE COURT: Yes.

19 MS. HIGGINS: Just to make clear, your Honor,
20 Motorola does not dispute that we are talking in the claim
21 at issue about the received motion vector. The motion
22 vector is received by the bitstream. The issue is whether
23 that motion vector can be both the uncompressed version of
24 the motion vector and the compressed motion vector. We
25 submit it can. Microsoft's proposal would be limited to

1 only the uncompressed version of the motion vector.

2 As for the word "receiving," there are other claims in
3 different form that use the word "receiving." For
4 instance, the '375 patent, Claim 10, which uses the word
5 "receiving" as a gerund, and this claim uses "is
6 received." So I would suggest that in this claim we are
7 talking about the state of the received motion vector,
8 versus an action which Microsoft would like to add to the
9 claim.

10 But the real dispute, your Honor, is over what motion
11 vector is the received motion vector. And clearly the
12 specification and the claims suggest that it can be both
13 the compressed and the uncompressed version.

14 And there is no reason to change the word "represent,"
15 which is in the specification, which Microsoft has changed
16 to the word "containing."

17 THE COURT: Counsel, thank you. I appreciate the
18 reminder on gerund. I am sure I am going to be able to
19 use it in a crossword puzzle at some point.

20 We will take the construction of the terms under
21 advisement. I am going to announce what I think is how we
22 should proceed, ask for comment on it, and then issue a
23 final decision.

24 It seems to me that what you have said today is that
25 Motorola's construction of the function component for

1 Terms 3, 4, 5, 7 and 8 is stipulated to by the parties. I
2 went back and looked at the cases on the proper procedural
3 posture to then look at the question of how we deal with
4 that. I think the appropriate way to do it is to allow an
5 opportunity based -- the court having accepted those
6 functions, to then argue the algorithm question.

7 I am going to -- Let me stop there. Does anyone
8 disagree with that as a premise? Mr. Jenner?

9 MR. JENNER: I don't think I disagree, your Honor.
10 I think I understand what you are saying, is that you are
11 going to permit a follow-on motion.

12 THE COURT: We will get to that in a moment. We
13 are doing these in pieces. Mr. Cederoth.

14 MR. CEDEROTH: So far, so good, your Honor.

15 THE COURT: Then the next step will be Microsoft
16 will file its motion in regards to 3, 4, 5, 7 and 8
17 under -- I am going to call it a motion for summary
18 judgment. That seems to be what the cases refer to it as.
19 They seem to arise after the question of function has been
20 decided. And you all now have decided it in this context.

21 Their motion for summary judgment by March 22nd.
22 Motorola will respond to that motion by April 6th. And,
23 as I understand it, Mr. Jenner threw himself in front of
24 the train and said he wanted to argue both, Judge, you are
25 doing this in an incorrect procedural manner, and on the

1 merits. So I would expect that both of those will be
2 covered if Motorola chooses to continue to assert the
3 former.

4 Microsoft's reply then will be due on April 13th. And
5 the court will issue its decision then on the precise
6 question of, is there a sufficient structure described in
7 the claims that can withstand this challenge.

8 That leaves us Claims 1, 9 and 10, which we will
9 probably not issue an order on until after we get that
10 question resolved, because if we decide that we do need to
11 construe the terms, then we will do so.

12 Let me go back. Mr. Jenner, do you have any comment
13 on that as a proposal?

14 MR. JENNER: No, your Honor. I think that's fine.
15 Just to confirm, I understand that from underneath the bus
16 I have leave from the court to argue all the things that
17 we think would be appropriate in response to whatever
18 exactly Microsoft files?

19 THE COURT: Yeah. I don't want you to go back and
20 change your definitions on structure.

21 MR. JENNER: No.

22 THE COURT: Yes, your argument, as I understand
23 it, is, Judge --

24 MR. JENNER: We don't need an algorithm, but if we
25 do, here is what it is.

1 THE COURT: Yes. Mr. Cederoth.

2 MR. CEDEROTH: Your Honor, on that point, there
3 have been a number of contentious exchanges over the
4 course of the case, according to the local rules and such.
5 The one piece of this that we don't have a window into at
6 this point is what Motorola would contend that that
7 algorithm is.

8 THE COURT: They are going to have to explain it
9 to us.

10 MR. CEDEROTH: I wonder if we could have that
11 disclosure before we kind of swing at ghosts in our
12 motion.

13 THE COURT: The answer is no, because you are
14 going to basically tell me all these cases that say what
15 they said. You are going to get to comment on their
16 algorithm as part of your reply.

17 MR. CEDEROTH: All right. It isn't a whole
18 argument issue at that point. Thank you, your Honor.

19 THE COURT: That will be in the court's order on
20 how to proceed. What won't be in the court's order on how
21 to proceed is taking all of you back to the woodshed.
22 Please don't do this to the court again. We have limited
23 resources. We prepare, as is hopefully apparent here,
24 really hard to do these Markman hearings. When you come
25 in the morning of the hearing and announce, Judge, great

1 news, we have eliminated seven of the ten terms, we
2 appreciate you doing that, but please don't do it the day
3 of the hearing.

4 I guess I will order counsel to meet and really confer
5 on claim terms in the near future, because you have
6 another Markman hearing coming up in June. And if you do
7 that to us again, you are going to have a very unhappy
8 judge, and an even more unhappy clerk.

9 Secondly, it is just a waste of the resources of the
10 court. We do not have resources to waste.

11 That June date is somewhat up in the air, in that I do
12 not want you to do another ten terms until we get these
13 done. So we will try and get these ten processed as
14 quickly as we can, given that I have opened you up for
15 further briefing.

16 The last topic then that I thought we would talk about
17 is, I am happy to hear your constructive proposals on RAND
18 terms, on how to move that forward. Mr. Jenner, you said
19 you had some thoughts on that. I'm not sure who is going
20 to speak for the parties.

21 MR. JENNER: I think Mr. Cederroth had some
22 comments, but as your Honor might imagine, so do I. I
23 would be glad to be heard on that.

24 MR. HARRIGAN: I will be the one talking about
25 that, your Honor. I am ready to do so now, if you wish.

1 THE COURT: Mr. Harrigan, always nice to hear you
2 talk.

3 MR. HARRIGAN: Well, the court said something
4 earlier about a potential opening in May. My basic
5 message is, yes, please. We would like to have this
6 mini-trial happen in May. We think there should be no
7 reason why it can't happen in May.

8 The RAND issues that are presented here overlap very
9 significantly with issues that have already been presented
10 in the ITC case. The experts have filed reports and
11 testified, the witnesses' depositions have been taken. In
12 fact, we could, I believe, agree to have that record used
13 in part in this case, to the extent it has bearing.

14 Anyway, the bottom line is, Microsoft would be
15 prepared to proceed on that basis, and sit down in the
16 next few days with Motorola and work out a schedule that
17 would accommodate a date in May.

18 We actually came in here this morning, your Honor,
19 with the intention of asking the court for permission to
20 file a motion, which we understand that's what we need to
21 do. So we are about to do that. And this May date would
22 greatly mitigate the problem that we were going to be
23 addressing in the motion we were going to ask the court to
24 allow us to file, which is an anti-suit motion relating to
25 the imminent potential for an injunction to be entered

1 that literally would wipe Microsoft out of a \$1 billion
2 market in Germany, based upon a set of rules that -- based
3 upon the very same issues that are before this court.

4 I will not argue my anti-suit motion, but we came in
5 here today with the intention of getting permission to
6 file that. Because of the immense imminent damage that
7 would be done to Microsoft if the German court issued an
8 injunction, when the issue in this case of whether an
9 injunction is allowed worldwide, based upon the RAND
10 interchanges that have occurred, is the very issue for the
11 court to decide. In other words, this court's ruling on
12 the issue of whether there is an injunction available to
13 Motorola will decide the German issue, and it will decide
14 for the entire world, because the RAND contract has a
15 worldwide base.

16 At any rate, your Honor --

17 THE COURT: Don't you have that motion on file
18 right now?

19 MR. HARRIGAN: We have a motion on file to the
20 effect that no injunction should be issued. The reason --

21 THE COURT: I think it is phrased in terms of no
22 injunctive relief is available.

23 MR. HARRIGAN: Correct. That's correct, your
24 Honor.

25 THE COURT: How is your new motion going to be any

1 different?

2 MR. HARRIGAN: The new motion, your Honor, is an
3 anti-suit motion that enjoins Motorola from enforcing an
4 injunction in Germany should one be granted on April 17th.
5 We believe, especially in the Ninth Circuit, such a motion
6 is highly appropriate. There is quite a difference among
7 the circuits in the freedom with which such motions are
8 granted and the standards under which they are decided.

9 For example, your Honor, in Germany, they don't
10 recognize third-party beneficiaries, they don't recognize
11 injunctions involve equitable considerations, they don't
12 recognize a RAND defense. Basically if you don't have a
13 license, you get enjoined. It doesn't matter how
14 outrageous the license demand was.

15 So under those circumstances, we believe we are
16 entitled under the applicable law to have this court enter
17 an order that precludes Motorola from enforcing any such
18 injunction, because this court should decide the issue
19 under the law that is applicable in this case.

20 However, given the fact that April 17th is the date on
21 which that ruling will be made -- By the way, your Honor,
22 that case was filed eight months after this one. Just
23 like in World War II, apparently they believe that
24 everything happening on a blitzkrieg schedule in Germany.
25 So it is already over. And that's why Microsoft faces the

1 potential literally to be stopped from selling Windows in
2 Germany. That is an enormous market.

3 However, it may well be if we have this mini-trial in
4 May that we can simply make an agreement with Motorola
5 that, abiding the decision of this court, they will hold
6 off in enforcing the injunction. It is not
7 self-enforcing. And Microsoft will put up a \$300 million
8 bond in order to allow this court to proceed without any
9 post-potential downside monetary risk to Motorola as a
10 result.

11 At any rate, your Honor, the bottom line is, we
12 believe a May date would solve a lot of problems. It
13 would mitigate this issue. It may obviate the need for us
14 to file any motion if we can reach agreement with Motorola
15 that, you know, however long it takes for this court to
16 decide, there will not be an injunction enforced in
17 Germany. So we propose that we sit down next week and
18 work on a schedule to accommodate a May date.

19 THE COURT: Mr. Jenner, I will hear you in a
20 moment. Let me ask a couple of questions -- not
21 questions, offer some observations. One, I am flattered
22 that I can tell the German courts what to do, but I'm not
23 sure how they are going to react to that.

24 MR. HARRIGAN: It would actually be Motorola you
25 would be telling what to do.

1 THE COURT: I was just going to say, you have now
2 couched it in terms of my telling Motorola that they can't
3 enforce a valid judgment they received in Germany.

4 MR. HARRIGAN: It is analogous to the
5 first-to-file cases where the first-to-file court enjoins
6 the party from proceeding in the second filed case, except
7 it is international. There is a fair amount of case law
8 on it. One of the main factors is the risk of
9 inconsistent judgments between the U.S. District Court and
10 the foreign court.

11 And here the issue is a contract, the RAND contract.
12 The inconsistent judgment would be they don't even pay any
13 attention to it. And yet, here, we are entitled to get a
14 RAND license, either because Motorola breached when it
15 made its demands, or because we didn't repudiate, and
16 therefore we are entitled to a RAND license. If the court
17 makes either one of those rulings, there is no basis for
18 injunctive relief.

19 THE COURT: All right. Mr. Harrigan, you can go
20 ahead and sit down, but you are going to get called back
21 up here.

22 The difficulty that I encounter with my beloved notion
23 of having either a mini-trial or an expedited trial is how
24 to get around, or how to incorporate, the fact that under
25 an unusual set of Washington cases, construction of

1 contracts can, in some circumstances, be a question of
2 fact. I'm not sure how they reach that, but that's what
3 they said.

4 Without getting into this, it seems to me that it may
5 well be that the appropriate way to do this is to ask you
6 to move for cross-motions for summary judgment on RAND,
7 put in your affidavits and whatever, and if I stumble into
8 the area where a jury needs to consider and make findings
9 of fact in order for me to construe the contract as a
10 matter of law, we will isolate those and see where it
11 leaves us. And then take that time in May to hold a
12 proceeding two or three days in length, where you are
13 permitted to, in lieu of affidavits or declarations,
14 actually put on live witnesses, and they would be subject
15 to cross-examination, or put in witness statements,
16 declarations, and have only cross-examination. That's the
17 most inventive way that I have come up with to try and
18 proceed.

19 I understand enough about the concept of leverage that
20 I understand that Motorola thinks that 2013 is just fine,
21 but I am not willing to extend out that far.

22 Mr. Jenner, I welcome your wisdom on these questions.

23 MR. JENNER: Your Honor, I particularly appreciate
24 counsel's reference to a blitzkrieg. I feel that this is
25 a little bit of a blitzkrieg being visited upon us, since

1 we didn't have any inkling this was coming until this
2 morning.

3 Let me take this in pieces. First, I am very
4 surprised that counsel would think it is appropriate --
5 with all due respect to this court, and every other
6 federal district court, to seek to have the court dictate
7 what a German court can do.

8 THE COURT: Welcome to the Ninth Circuit, sir.

9 MR. JENNER: It may be. I have to play on the
10 field I am trotting out onto, your Honor. I note that
11 counsel goes so far as to say that the German standards
12 may well be different. I don't know what the German
13 standards are. Counsel suggests they may have a very
14 different view of how you interpret a contract. There are
15 questions in this case of how certain standards that are
16 international in nature may be construed, how you
17 interpret a contract, what the potential remedies might
18 be. But even though those are different, counsel would
19 have your Honor issue an edict to a German court, when
20 they have full opportunity to go to the German court and
21 litigate those issues, which in fact they are doing.

22 THE COURT: I think they want the edict to be read
23 to you, as opposed to the German court.

24 MR. JENNER: It would be phrased in terms of,
25 Motorola, you can't do this. But the effect of that is to

1 speak to Motorola, and effectively say that a German court
2 shouldn't have the opportunity to adjudicate a German
3 dispute. A piece of this is a German dispute.

4 I think there is an open question as to how much your
5 Honor will ultimately adjudicate here, as to whether or
6 not Microsoft can be enjoined by Motorola from
7 distributing products in the United States, may or may not
8 be the same question about whether or not Microsoft can be
9 enjoined in Germany, and whether a German court ought to
10 be the institution that speaks to that.

11 They are in Europe. They are in front of the European
12 Commission. They are in front of the German courts. I
13 suspect they may be in front of other courts. I'm not
14 quite sure, frankly. And they come and say, oh, that is
15 not good enough, we can't seek process in the courts of
16 Germany or the European community, we want this court to
17 disrupt that process under the guise of telling Motorola
18 what you can or can't do.

19 I submit there are questions of --

20 THE COURT: Stop for a second. I don't need to
21 here the merits of this right now. I agree with you, it
22 is a very interesting question. It certainly is outside
23 the realm of what I normally do. Is there a reason why
24 they shouldn't file it, and then we can hear it on the
25 merits?

1 MR. JENNER: Your Honor, I think it is appropriate
2 for the court to hear motions. I am certainly not going
3 to be the person to say that is not an appropriate thing
4 for the court to do. I think it is a waste of time. I
5 think it is inappropriate.

6 I really have the same feelings I had when we had that
7 telephone conference a few weeks ago, and I heard counsel
8 argue fact issue after fact issue. My response is, your
9 Honor, we are not on a summary judgment motion. I don't
10 think this is appropriate. I think it is a waste of your
11 time. That's all I can say on that subject.

12 THE COURT: Continue on.

13 MR. JENNER: Now, as far as having a trial or
14 mini-trial proceeding accelerated to May, the very
15 blitzkrieg that Microsoft says it doesn't want to be
16 subjected to is the blitzkrieg they are perfectly happy to
17 subject us to.

18 We have served quite a bit of discovery. So has
19 Microsoft. We have 30(b)(6) notices out to Microsoft. We
20 have party deposition notices out to Microsoft witnesses.
21 We have third-party deposition notices out to third
22 parties. We have document discovery that is ongoing, we
23 have written discovery. It is going to take at least what
24 is remaining of 30 days to get the interrogatories and
25 document requests finished. It is going to take whatever

1 time it requires to get depositions taken. That is before
2 you start doing the normal pretrial prep for a trial.

3 I think I have told your Honor before, we are
4 perfectly happy to slot a trial on the merits, if that's
5 necessary, into the place in November where you had it,
6 because it contemplated the fact discovery we submit we
7 need, it contemplated the expert discovery that I think
8 the court will need. I know you have expressed some
9 questions about that. But we think that there is a
10 considerable amount of expert discovery regarding
11 standards that will be appropriate here.

12 Counsel says this was dealt with in the ITC. I said
13 last time, aspects were dealt within the ITC, but the full
14 panoply of issues before this court were not. That's why
15 we are taking discovery.

16 I submit, your Honor, to get all of this accomplished,
17 both in the form of any discovery that can possibly be
18 mustered, along with good pretrial preparation, to have a
19 meaningful trial-like procedure in May is too fast.

20 We are happy to keep the schedule you originally had
21 in November, live with the discovery deadlines, do all of
22 the things that need to get done to get that marshaled, if
23 a summary judgment motion in the meantime does not prove
24 to be effective. I think Microsoft may be planning to
25 file a summary judgment motion. If they do, so be it.

1 They are certainly entitled to do that. You told them
2 they could do it. We will deal with that.

3 Getting to a trial on the merits on these issues all
4 of a sudden in May, your Honor, we submit that would be a
5 burden that would disrupt the discovery processes that are
6 going on, and the other things that we should have the
7 opportunity to do before trial. I would ask you not to do
8 that.

9 THE COURT: Let me see if I can make myself clear.
10 If this were a breach of contract case, and one party came
11 in and said, Judge, here is the contract, here are the
12 facts, this is what I did, this is what they did, I can
13 dispose of that on summary judgment, because the facts
14 that are in disagreement are not -- I mean, if one person
15 says, it was day, and the other person says night, then,
16 yes, we have an issue of fact. On the other hand, what
17 has been represented here is that the record is clear, I
18 mean there was an exchange of letters, whatever. That
19 sounds like it is a motion that can be disposed of on
20 summary judgment.

21 Where I get into trouble is when we get into this
22 issue of, yes, the contract has words in it, but what do
23 they mean? That normally is a question of law for the
24 court to decide, other than the somewhat different
25 Washington rules, that Mr. Palumbo, and Mr. Harrigan can

1 share with out-of-town counsel, that says, under certain
2 fairly different circumstances they can become issues of
3 fact.

4 I guess what I have in mind is at least trying in this
5 window in May to see if the contract can be interpreted,
6 and is the conduct of the parties really in dispute. And
7 so start with that as the premise.

8 I agree with you, we are not abolishing the November
9 trial if indeed that is necessary, but I would like to
10 test if it is necessary.

11 MR. JENNER: Your Honor, I guess I am not entirely
12 sure then what the issue or issues for the May proceeding
13 would be.

14 THE COURT: Well, I think they are going to say
15 under the contract is Motorola required to -- We have
16 already established that you satisfied two of the four
17 terms of their original issues. It was the last two that
18 were causing me problems. What I am, I guess, proposing
19 is a motion for summary judgment on those two remaining
20 terms, which I can find in favor of Motorola, I can find
21 in favor of Microsoft, or I can find that I have to have a
22 trial. That's what I am proposing.

23 MR. JENNER: Your Honor, I would say -- As I
24 understand it -- I still think that we should have an
25 opportunity to take the discovery, because I think the

1 discovery potentially bears on those issues.

2 THE COURT: Okay. Thank you. Mr. Harrigan.

3 MR. HARRIGAN: Yes, your Honor. I will reiterate
4 that we believe that a May mini-trial will very likely
5 resolve this entire RAND issue, for the reasons the court
6 has already alluded to.

7 If the court finds there was no remediation, that
8 means Microsoft is entitled to a license, which disposes
9 of the injunction issue, which is what this is really all
10 about. It is really all about can Motorola get an
11 injunction against these various products.

12 If the court finds that Motorola's offer was
13 outrageous, there is no contract interpretation issue,
14 because the court has already said that they can't make an
15 outrageous offer, and therefore that would be breach, that
16 would decide the case.

17 Then, if the court does need to interpret the
18 contract, it may or may not require some input from a
19 jury, but we do not need massive amounts of discovery to
20 interpret the RAND contract language. And there is no
21 issue with regard to third-party beneficiary status.

22 So I believe -- We are all operating here on what is
23 the probability that a great deal of time can be saved and
24 this matter resolved expeditiously. I believe there is a
25 very high probability that the court can rule up or down

1 on the controlling issues, probably without a jury, but,
2 if need be, with a jury, and that this whole matter can be
3 easily presented in two or three days.

4 And it solves the -- it largely solves, subject to
5 some -- If necessary, we file this motion. But all we
6 really are asking is -- The injunction, if the court
7 decides to issue it, it will issue. The question is, will
8 Motorola enforce it? So the court isn't even indirectly
9 telling the German court not to do something. What we are
10 saying is if Motorola will just hang onto the status quo,
11 which is the products get sold and we litigate the issue
12 of whether -- litigate the RAND issues here, if that takes
13 an extra month or two past the April 17th date, a
14 \$300 million bond ought to cover the problem. And we
15 would just keep the status quo in place. You are not
16 telling anybody that no injunction order will be entered,
17 only that Motorola can't enforce it until this court
18 decides the answers to the controlling questions. Thank
19 you.

20 THE COURT: All right. This will be confirmed in
21 the minute order that we issue. I am granting permission
22 for Microsoft to file its motion in regards to ordering
23 Motorola to not enforce the hypothetical German judgment.
24 I don't know Ninth Circuit law well enough. I know
25 somehow a jury in San Francisco deciding something that

1 happened in Honduras or Ecuador was a violation of
2 Ecuadorian law. I am willing to look at the law and be
3 convinced one way or the other.

4 I am also authorizing Microsoft to file its motion for
5 summary judgment on the remaining two questions that are
6 left over from the court's prior ruling. One and two, I
7 think I found, three and four, I did not. You are moving
8 on three and four.

9 MR. HARRIGAN: That is three and four issues in
10 our original motion?

11 THE COURT: Yes.

12 MR. HARRIGAN: Yes. Thank you, your Honor.

13 THE COURT: I would like that filed by March 30th.
14 That will give the parties an opportunity to have it fully
15 briefed.

16 I understand what Mr. Jenner is saying. I think I
17 will know a lot more about where we are after I see the
18 briefing on that. You need to lay out what are the
19 non-contested facts, which Microsoft has said on occasion
20 are truly uncontested. I don't think I have ever heard if
21 Motorola contests them or not. It seems to me part of
22 that is what facts are necessary for me to reach the next
23 issues, Issues 3 and 4 in the case. And I don't want to
24 try and predict that without knowing better what they are.

25 That motion will be briefed and filed in accordance

1 with the rules in the Western District, with the thought
2 that we will use some of that May time to give you an
3 extended opportunity to argue the case if that is what we
4 turn out to be doing. I am not sure until I know more
5 what, if any, witnesses will be heard at that time.

6 Mr. Jenner, any questions on behalf of Motorola, sir?

7 MR. JENNER: Your Honor, I think I understand what
8 the schedule is. We will certainly do everything
9 necessary to comply with that.

10 THE COURT: Your summer associates are coming
11 soon. It will give them something to do.

12 MR. JENNER: I was hoping they would give me an
13 opportunity to go down to Honduras and get those answers
14 for you.

15 MR. HARRIGAN: Your Honor, do you have any time
16 frame in May -- range that you have in mind?

17 THE COURT: As part of our minute order we will
18 pick out a day in there that is available, or two days
19 that are available.

20 Counsel, we will be in recess. Thank you very much.

21 MR. PALUMBO: Your Honor, one thing for
22 clarification purposes.

23 THE COURT: You are going to earn your three hours
24 this morning.

25 MR. PALUMBO: As surprised as you were when we

1 learned last night about 5:00 that Microsoft was agreeing
2 to seven of our ten proposed constructions.

3 Just for clarity, it sounds like for the next Markman
4 hearing, in addition to discussing the different
5 constructions before we file briefs, after the parties
6 file briefs we should have another meet and confer, see if
7 we can't eliminate some of the terms where we think we
8 have a disagreement, and then advise the court that we are
9 either going to go forward on all ten terms that are in
10 the briefing, or where we managed to reach agreement. I
11 wanted to have a clarification that there would be another
12 meet and confer to try to avoid what happened this time
13 around.

14 THE COURT: Why don't you all be seated. Counsel,
15 it became clear to us as we were working our way through
16 these that many of these -- I won't use the word
17 "disingenuous." I will simply use the word "creative."
18 And I understand creative constructions are permitted.
19 They are to be discouraged.

20 So what I would like you to do is go back, figure out
21 how many claim terms you have left, ask yourselves, you
22 know, are they really essential or are we simply trying to
23 run this as long as we can run it.

24 Picking out those ten claim terms, discussing the
25 question of a tutorial, if they were going to involve

1 different components -- I might stress my appreciation to
2 the people who put on the tutorial today. I thought that
3 was helpful. But a lot of it was stuff that we had spent
4 hours puzzling through, so you can save us that next time.
5 Once you have exchanged your proposed claim constructions,
6 that is when I would like you to sit down and really ask,
7 are we in disagreement? Knowing that you have to come in
8 here and put up with me, is this really something that we
9 need to bother the court with? And I think if we know
10 that earlier, as opposed to later, it will save you all an
11 immense amount of money to not have these folks grind away
12 on ten terms, only to find out seven of them you are in
13 agreement on. Last time I checked, companies like to save
14 money. Does that answer your question?

15 MR. PALUMBO: That is helpful. I think we will
16 endeavor, but it sounds like we should redouble our
17 efforts on that.

18 THE COURT: Endeavor harder. We will be in
19 recess.

20 (Adjourned.)
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CERTIFICATE

I, Barry L. Fanning, Official Court Reporter, do hereby
certify that the foregoing transcript is true and correct.

S/Barry L. Fanning

Barry L. Fanning